STATE BOARD OF ACCOUNTANCY

MICHIGAN C. P. A. MANUAL

1920

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STATE BOARD OF ACCOUNTANCY

1920

COMPILED BY
DURAND W. SPRINGER
SECRETARY-TREASURER
ANN ARBOR, MICH.

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MICHIGAN STATE BOARD OF ACCOUNTANCY

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PREFACE

This manual has been prepared by the Michigan State Board of Accountancy with the idea that it will show the business public and the profession in general the scope and character of the tests which have been met by persons holding the C. P. A. degree from Michigan. It will enable prospective candidates to judge for themselves whether they are prepared to pass examinations along somewhat similar lines. It will permit Accountancy Boards in other states to determine, in cases of prospective reciprocal arrangements, whether Michigan measures up to their standards.

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MEMBERS OF THE MICHIGAN STATE BOARD OF ACCOUNTANCY

John H. Clegg, C. P. A., Detroit	1905-1907
Henry M. Zimmermann, Pontiac	1905-1907
George A. Horner, C. P. A., Grand Rapids	1905-1911
Ray Hart, Midland	1907-1909
Norval A. Hawkins, C. P. A., Detroit	1908-1913
William W. Wedemeyer, Ann Arbor	1909-1912
Durand W. Springer, C. P. A., Ann Arbor	1913-
Archibald Broomfield, Big Rapids and Detroit	1913-1920
Frederic A. Tilton, C. P. A., Detroit	1913-
Woodbridge N. Ferris, Big Rapids, ex-officio	1913-1917
Albert E. Sleeper, Bad Axe, ex-officio	1917-
Clarence G. Hill, Detroit	1920

REGISTER OF CERTIFICATES GRANTED BY THE MICHIGAN STATE BOARD OF ACCOUNTANCY

This list indicates the year when the certificates were granted, the persons to whom granted, their residence at the time when granted, and their residence January 1, 1920.

1906 John H. Clegg—Detroit—Deceased
George A. Horner—Grand Rapids—Detroit
Fred Wixson—Detroit—Detroit
James E. Hardman—Grand Rapids—Toledo, Ohio
Charles D. Fleming—Detroit—Detroit
Charles H. Winke—Grand Rapids—Milwaukee, Wis.
Joseph Horner—Grand Rapids—Grand Rapids
Will A. Voss—Grand Rapids—Grand Rapids
Durand W. Springer—Ann Arbor—Ann Arbor.
Arthur B. Hulsapple—Grand Rapids—Grand Rapids
Arthur S. Guerin—Detroit—Detroit
Norman E. Webster, Jr.—Kalamazoo—New York, N. Y.
William D. Gridley—Detroit—Detroit
John J. Jerome—Detroit—Lansing
Harry Ruple—Bronson—Saginaw
Robert J. Bennett—Detroit—Philadelphia, Pa.
William H. Brook—Detroit—Cleveland, Ohio
Howard C. Beck—Detroit—Baltimore, Md.

1907 Norval A. Hawkins—Detroit—Detroit
Fred T. Gies—Detroit—Detroit
William W. Washburne—Detroit—Philadelphia, Pa.

1908 George C. Brown—Detroit—Sturgis
Louis H. Turrell—Detroit—Detroit
Melville W. Thompson—Jackson—New York, N. Y.

1909 Fred E. McCain—Detroit—Detroit
Harold S. Gausby—Detroit—Toronto, Can.
Henry F. Tully—Detroit—Detroit

1910 William D. Bonthron—Detroit—Detroit
George H. Parks—Grand Rapids—Grand Rapids
Frederic A. Tilton—Detroit—Detroit
Fred A. Suter—Detroit—New York, N. Y.

1912 William Leslie—Detroit—Detroit
David Smith—Detroit—Detroit
Alex Van Oss—Detroit—New York, N. Y.

1913—Ralph C. Miller—Detroit—Detroit
Louis C. Slay—Detroit—Detroit
T. L. Whitford Porte—Detroit—Detroit
Arphaxed Foy—Detroit—Detroit

William Butler—Detroit—Detroit
Richard A. Stevenson—Detroit—Detroit
Thomas H. Evans—Detroit—Detroit
William Tringham—Detroit—Detroit
Glynn F. Blanchard—Detroit—Grand Rapids

1914 George M. Patterson—Grand Rapids—Deceased
William C. Rowland—Detroit—Detroit
George R. Gibbs—Detroit—Detroit
E. Leroy Coe—Detroit—Grand Rapids
Frank G. LaBonte—Detroit—Detroit
C. Earle Neff—Detroit—Detroit
Wiley T. Lyon—Grand Rapids—Grand Rapids

1915 Cyril N. Bullock—Detroit—Detroit
William T. Sunley, Jr.—Detroit—Detroit
Charles W. Stewart—Detroit—Kansas City, Mo.
Herbert H. Scott—Detroit—Detroit
Walter H. Shultus—Grand Rapids—Grand Rapids
Thomas M. Faddis—Detroit—Detroit
Fred W. Morton—Detroit—Detroit

1916 *Frank C. Patterson—Grand Rapids—Saginaw
*Eldon E. Dadson—Detroit—Detroit
*Robert L. Turner—Detroit—Detroit
J. Lee Boothe—Detroit—Detroit
George C. Mortlock—Detroit—New York, N. Y.
Percy A. Kerr—Detroit—Detroit
Gordon E. Townsend—Detroit—Battle Creek
George C. Goodrich—Detroit—Detroit
Carlton G. Saunders—Grand Rapids—Chicago
Christopher C. Whitlock—Detroit—Detroit

1917 *Lorenzo D. Burnell—Detroit—Detroit
*George D. Bailey—Detroit—Detroit
Francis M. Shaefer—Lansing—Lansing
Hans William Fick—Grand Rapids—Grand Rapids
Ansel F. Hosmer—Detroit—Detroit
Charles A. Smith—Detroit—Detroit

1918 *Ernest B. Butler—Detroit—Akron, Ohio
*Ralph T. Hollis——Detroit—Detroit
*John A. McDonald—Detroit—Detroit
*Edward M. Stradley—Detroit—Detroit
*Arthur F. Thayer—Detroit—Detroit
Henry Steffens, Jr.—Detroit—Detroit
James H. Botz—Detroit—New York, N. Y.
James C. Dissette—Detroit—Monroe
*Frank H. Jones—Detroit—Detroit

*Clarence A. Niquette—Detroit—Detroit
*Mortimer A. Davis—Detroit—Chicago
*Earl G. Teeter—Detroit—Detroit
*Frederick C. Blomfield—Detroit—Detroit
Llewellyn H. Heinke—Grand Rapids—Grand Rapids
Evan T. Ashman—Detroit—Detroit
Richard H. Wolfe—Detroit—Detroit
1919 *Frank E. Seidman—Grand Rapids—Grand Rapids
James I. Bailey—Detroit—Detroit
George N. Atkinson—Detroit—Detroit
Martin Dowd—Grand Rapids—Grand Rapids
Winfield S. Osborn—Detroit—Detroit
Ralph J. Daly—Detroit—Detroit
*James Barr—Detroit—Detroit
*Leslie E. Palmer—Detroit—New York, N. Y.
*Fred P. Higgins—Detroit—Detroit
*William G. Ross—Detroit—Detroit
*Marx F. Rosenthaler—Detroit—Detroit
1920 *Jonathan B. Cook—Muskegon—Muskegon
*Certificates of Registration or Authority.

HISTORICAL STATEMENT

Accountancy is generally considered the youngest of the professions and yet there are references to it that show considerable age. The earliest known mention of a special examiner of accounts was in Great Britain in the year 1285 and occurs in Statute XIII, Edward I, Cap. II. In 1299, an officer is spoken of as the Auditor of the Accounts of the Corporation of the City of London. In 1581, the College of Accountants was established in Venice, Italy, the same being an organization of public accountants.

The profession of accountancy ranked with that of barrister in Scotland as early as 1650. The oldest known certificate of a professional examiner of accounts was made by Charles Snell, of London, in 1720, and was in the nature of a formal report in bankruptcy proceedings. As early as 1730, Bristol, England, had a person who publicly practiced as an accountant and one firm in the same city has been in continuous practice as public accountants since 1790. The Edinburgh directory for 1773 listed seven accountants.

October 23, 1854, the Society of Accountants in Edinboro was given a Royal Charter and became the first body of professional public accountants to receive official recognition. In 1862, the Registered Companies Act was passed by the English Parliament. The Institute of Chartered Accountants of England and Wales received

a Royal Charter, May 11, 1880, and now has a membership of over five thousand. In the same year, a charter was granted to the Association of Accountants in Montreal, and in 1902 to the Dominion Accountants Association.

The first association of accountants in the United States was the Institute of Accounts organized in 1882 in New York. The American Association of Public Accountants was incorporated in New York in 1887 and was the first organization in this country where membership was confined exclusively to professional public accountants. In 1896, New York passed the first certified public accountant law in this country and thus formally recognized accountancy. In March of 1897, the Illinois Association of Public Accountants and the Pennsylvania Association of Public Accountants were organized. The New York Society of Certied Public Accountants completed its organization May 10, 1897. In 1902, the Federation of Societies of Public Accountants in the United States of America was organized at Washington, on the initiative of the Illinois Association, and by 1905 it had enrolled twenty-six state societies with about five hundred members. The American Association of Public Accountants started with eight members in 1887 and by 1896, when the first C. P. A. law was enacted, had increased its membership to seventy-five. In 1905, when the Federation of Societies of Public Accountants consolidated with the American Association of Public Accountants, the membership was increased to 587. By 1911, it had reached the one thousand mark, and in 1916 the American Association had a membership of 1,238.

At the 29th annual meeting of the American Association of Public Accountants, an organization of constituent societies and individual members, held in 1916, it was merged into the American Institute of Accountants, consisting entirely of individual memberships, the Institute having been incorporated in May of that year. The Institute had a membership of 1252 September 1 of 1919. The Institute has endeavored to establish a uniform standard of accountancy examinations throughout all the states, and has offered its questions to the different State Boards of Accountancy. The Michigan Board used the questions in the examinations held in November, 1917, May, 1918, and November, 1918.

Articles of Association of the "Incorporated Michigan Association of Public Accountants" were filed with the Secretary of State

at Lansing, May 3, 1901. Its chief aim was to unite the public accountants of Michigan in an effort to secure a certified public accountant law. When the legislature of 1903 met, former Congressman Edwin Denby, then a member of the House of Representatives, introduced a bill authorizing the appointment of a State Board of Accountancy. The bill passed the House, but failed in the Senate. In the early part of the 1905 meeting of the legislature, Senator Noble Ashley introduced the same bill. This time the Senate gave it a unanimous vote and the House passed it by a large majority. The bill was signed by Governor Warner and Michigan became the eighth state to legally recognize the profession of public accountancy. After the passage of the law, amendments were made to the Articles of Association of the Incorporated Michigan Association of Public Accountants and it became the Michigan Association of Certified Public Accountants. The Michigan Association joined the Federation of Societies of Public Accountants when it was organized and transferred its membership to the American Association of Public Accountants when the amalgamation took place in 1905, retaining same until 1916, when society membership was abolished.

Since 1896, all the states except two have passed laws recognizing and regulating the certified public accountant. A study of the results of the examinations which have been given shows that on an average two out of every five who have taken the examination have passed. In most states, waiver clauses permitted the granting of certificates to those accountants who had been in practice for a definite period prior to the passage of the law and at the present time practically two out of every five certified public accountants obtained their certificates under the waiver clause. Shortly after the Michigan law was passed, the following communication was sent to the first State Board of Accountancy:

"At a meeting of the Incorporated Michigan Association of Public Accountants, it was unanimously voted to request the Michigan State Board of Accountancy not to issue any certificates under the waiver clause. In some states the question has already arisen as to the relative value of certificates issued after examination and those issued under the waiver clause, to the detriment of the latter. As this body was the organization which secured the passage of the law in Michigan, we are anxious that the certificate should represent the highest possible standard."

The request was granted, and Michigan became the first state not to issue certificates under the waiver clause.

The Michigan State Board of Accountancy has held eighteen examinations, with the following results:

DATE	NO. WRITING ON EXAM.	NO. GRANTED CERTIFICATES
July, 1906	Clegg and Horner	2
July, 1906	18	13
December, 1906	3	3
November, 1907	4	3
June, 1908	7	3
July, 1909	3	3
June, 1910	5	4
June, 1912	6	3
June, 1913	7	4
December, 1913	8	5
June, 1914	5	4
December, 1914	5	3
June, 1915	9	4
December, 1915	10	3
December, 1916	9	7
November, 1917	4	4
May, 1918	6	3
November, 1918	10	3
June, 1919	9—130	5—79

The Michigan law permits reciprocity with other states. Reciprocal arrangements have been entered into with the states of California, Maine, New York, Ohio, and Wisconsin, and Certificates of Registration have been issued to ten accountants from these states. The rules adopted by the Michigan Board concerning reciprocal relations provided:

(a). Certificates may be registered when the holder has established a residence or a place for the regular transaction of business in the state.

(b). Only certificates secured by examination will be registered.

(c). Certificates will only be registered as the result of correspondence between the Michigan Board and the Board of the state concerned and the approval of the Board granting the original certificate secured.

An amendment to the law passed in 1917 permits the granting of Certificates of Authority to lawful holders of certificates issued by states with which reciprocal relations have not been established, or where the certificate was received under the waiver clause, or to the holder of a certificate as a Chartered Accountant granted

under the laws of a foreign country. Twelve Certificates of Authority have been issued by the Michigan Board to accountants from three states, Canada, England and Wales, and Scotland.

The *Journal of Accountancy* was established in 1905, and is the official organ of the American Institute of Accountants as well as the recognized standard magazine of accountancy in this country.

In 1881, the University of Pennsylvania established the Wharton School of Finance. Since 1898, practically all colleges and universities have organized Departments of Commerce, Accounts, and Finance, in which courses in accounting are offered.

From the *Journal of Accountancy* for August, 1914, we quote:

"Let those seeking an exact statement read the following:

The practice of accountancy is not a business open to all, but a personal right, limited to a few persons of good moral character, with special qualifications ascertained and certified after a long course of study, both general and professional, and a thorough examination by a state board appointed for the purpose. The right to practice accountancy is in the nature of a franchise from the state conferred only for merit.

"The foregoing is probably as clear, concise and accurate a statement of the functions of certified public accountancy as has ever been written, and it is interesting to investigate its source.

"There are many certified public accountants who are inclined to believe that accountancy and the law are very closely related branches of professional work. There are others equally sure that there is no similarity. But even these latter will doubtless admit the correctness of the foregoing definition. If so they will be not a little amazed to learn that it is simply a paraphrase of a decision by the Court of Appeals of New York on the question of unlawful practice of law by corporations, collection agencies, notaries, etc.

"The court said: "A corporation can neither practice law nor hire lawyers to carry on the business of practicing law for it any more than it can practice medicine or dentistry by hiring doctors or dentists to act for it," and then followed it by the definition given above, merely using the word law where we have used accountancy.

"Lawyers have been content to accept this definition of their profession. Accountants will probably be unanimous in accepting it as a definition of accountancy.

"To those public accountants who still cling to the idea that certified accountancy may lack something of a professional status we commend a consideration of the fact that one definition fits both law and accountancy equally well."

FIRST MICHIGAN C. P. A. LAW

Act 92, Laws of 1905, Approved May 4, 1905, Establishing Michigan State Board of Accountancy

An act to establish a board of accountancy, to provide for the granting of certificates to those public accountants who qualify under the provisions of this act and to provide a penalty for violation thereof.

The People of the State of Michigan enact:

SECTION 1. Any person, residing or having a place for the regular transaction of business in the State of Michigan, being over the age of twenty-one years, of good moral character, who shall have received from the Governor of the State of Michigan a certificate of his qualifications to practice as a public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and no other person shall assume such title or use the abbreviation C. P. A., or any other words, letters or figures to indicate that the person using the same is such certified public accountant.

SEC. 2. Within thirty days after this act takes effect, the Governor shall appoint three persons to constitute and serve as a Board of Accountancy. Two members of this board first appointed shall be selected by the Governor from a list of the names of public accountants who have been practicing in the State of Michigan for a period of at least three years, one of whom shall be appointed for a term ending January first, nineteen hundred eight, and one for a term ending January first, nineteen hundred ten, and upon the expiration of each of said terms and of each succeeding term, a member shall be appointed for a term of three years: *Provided,* that the successors to the first two members who are public accountants shall be selected from the holders of certificates under this act. One member of this board shall be a practicing attorney, in good standing in the courts of the State of Michigan, appointed in the first instance for a term ending January first, nineteen hundred nine, and upon the expiration of said term, and of any succeeding term, a member shall be appointed for a term of three years, such successors to be practicing attorneys in good standing, as hereinbefore mentioned. Any vacancies that may occur from any cause shall be filled by the Governor for the unexpired term under the same conditions that govern regular appointments.

SEC. 3. The Board of Accountancy shall at its first meeting, formulate rules for its own guidance, not inconsistent with the provisions of this act, a copy of which shall be sent to all public accountants in the state. Satisfactory evidence of good moral character shall be required from each applicant for this certificate. Examinations of persons applying for certificates under this act shall be held at least twice each year at such times and places as applications may warrant. The time and place for holding the examination shall be duly advertised at least three consecutive days in a daily newspaper published in Detroit, Grand Rapids, Saginaw, Marquette, and Houghton, at least thirty days prior to the date for such examination, and notice of the same shall be mailed to all holders of certificates under this act as well as applicants. The examination shall cover the following subjects: theory of accounts, practical accounting, auditing, and commercial law as affecting accountancy. The fees for such examination shall be twenty-five dollars for each applicant, payable to the treasurer of the board at least ten days prior to the holding of the examination. The board may in its discretion, waive the examination of any applicant not later than the year nineteen hundred six, who in addition to the qualifications mentioned in section one, shall have been a practicing public accountant in this State for more than one year prior to the passage of this act. Each applicant for whom examination is waived, shall pay to the treasurer of the board the sum of twenty-five dollars when recommended to the Governor for a certificate. The board shall maintain a register of the names and addresses of all persons receiving certificates under this act. The members of the board shall receive as compensation for their services ten dollars per day for the time actually spent and the necessary expenses incurred in the discharge of their duties as members of said board: *Provided, however,* That all compensation for services and expenses shall not exceed the amounts received as fees from applicants. All bills for expenses and salaries shall be allowed in open meeting of the board and shall be paid from the fees received under the provisions of this act. All money received in excess of payments shall be paid into the State Treasury at the end of each year, and so much thereof as shall be necessary to meet the current expenses of said board shall be subject to the order thereof, if, in any year, the receipts of said board shall not be equal to its expenses. The board shall make an annual report to the Governor, containing a full account of its proceedings, and render an annual financial account to the Board of State Auditors.

SEC. 4. The Governor shall issue certificates to those persons who are recommended to him by the Board of Accountancy as having qualified under the provisions of this act. The Governor may revoke any certificate for sufficient cause, after written notice to the holder thereof, and a hearing thereon, and shall issue such notice whenever requested to by the board.

SEC. 5. The Board of Accountancy may, in its discretion, register the certificate of any certified public accountant who is the lawful holder of a C. P. A. certificate issued under the law of another state, and may issue

to such certified public accountant a certificate of registration, which certificate shall entile the holder to practice as such certified public accountant, and to use the abbreviation C. P. A. in the State: *Provided, however,* That such other state extends similar privileges to certified public accountants of this state. The regular fee of twenty-five dollars shall be charged for such certificate. Certificates of registration may be cancelled in the same manner as section four provides for the revoking of certificates issued under this act.

SEC. 6 If any person shall hold himself out to the public as having received a certificate as provided in this act, or shall assume to practice as a certified public accountant or use the abbreviation C. P. A., or any other letters, words or figures to indicate that the person using the same is such certified public accountant, without having received such certificate or after the same shall have been revoked, he shall be deemed guilty of a misdemeanor, the penalty for which shall be a fine of not less than one hundred dollars nor more than five hundred dollars for each offense or imprisonment in the county jail for a period not exceeding six months.

SEC. 7 Every person having been granted a certificate under the provisions of this act, shall give a five thousand dollar bond to the Secretary of State before entering upon his duties, for the faithful performance of the same.

Approved May 4, 1905.

SECOND MICHIGAN C. P. A. LAW

Act 240, Laws of 1913, Approved May 7, 1913, Establishing Michigan State Board of Accountancy

An act to establish a board of accountancy, to provide for the granting of certificates to those public accountants who qualify under the provisions of this act and to provide a penalty for violation thereof.

The People of the State of Michigan enact:

SEC. 1. Any person, residing or having a place for the regular transaction of business in the State of Michigan, being over the age of twenty-one years, of good moral character, who shall have received from the Governor of the State of Michigan a certificate of his qualifications to practice as a public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and no other person shall assume such title or use the abbreviation C. P. A., or any other words, letters or figures to indicate that the person using the same is such certified public accountant.

SEC. 2 Within thirty days after this act takes effect, the Governor shall appoint three persons to constitute and serve as a Board of Accountancy. Two members of this board first appointed shall be selected by the Governor from a list of the names of public accountants who have been practicing in the State of Michigan for a period of at least one year, one of whom shall be appointed for a term ending January one, nineteen hundred fourteen, and one for a term ending January one, nineteen hundred sixteen and upon the expiration of each of said terms and of each succeeding term, a member shall be appointed for a term of three years: *Provided,* That the successors to the first two members who are public accountants shall be selected from the holders of certificates under this act. One member of this board shall be a practicing attorney, in good standing in the courts of the State of Michigan, appointed in the first instance for a term ending January one, nineteen hundred fifteen, and upon the expiration of said term, and of any succeeding term, a member shall be appointed for a term of three years, such successors to be practicing attorneys in good standing as hereinbefore mentioned. Any vacancies that may occur from any cause shall be filled by the Governor for the unexpired term under the same conditions that govern regular appointments, and every member shall hold office until his successor is appointed. The Governor shall be an ex-officio member of this board.

SEC. 3. The Board of Accountancy shall formulate rules for its guidance, not inconsistent with the provisions of this act. Satisfactory evidence of good moral character shall he required from each applicant for this certificate. Meetings of said Board of Accountancy shall be held at least twice each year and the times and places for holding said meetings shall be advertised at least three consecutive days in a daily newspaper published in Detroit, Grand Rapids, Saginaw, Marquette and Houghton at least thirty days prior to the date for such meetings, and notice of the same shall be mailed to all applicants for certificates under this act. Applicants must have completed at least a high school course of study, or have received an equivalent education, prior to the date of application and must have had at least two years' continuous practical experience in public accounting immediately preceding the date of application, the efficiency of such experience to be judged by the board. Applicants, when so required, must appear in person before the board to answer any question, or produce any evidence to sustain such facts as may be necessary to determine the qualifications of the applicant as prescribed by this act and rules of the board. A filing fee of twenty-five dollars for each applicant payable to the treasurer of the board, shall accompany all applications for certificates under this act and the members of the board shall receive as compensation for their services, ten dollars per day for the time actually spent and the necessary expenses incurred in the discharge of their duties as members of said board: *Provided, however,* That all compensation for services and expenses shall not exceed the amount received as fees from applicants. All bills for expenses and services shall be allowed only in open meeting of the board and shall be paid from fees

received under the provisions of this act. All money received in excess of payments shall be paid into the state treasury at the end of each year and so much thereof as shall be necessary to meet the current expenses of said board shall be subject to the order thereof, if, in any year, the receipts of said board shall not be equal to its expenses. The board shall make an annual report to the Governor, containing a full account of its proceedings, and render an annual financial account to the board of state auditors. The board shall maintain a register of the names and addresses of all persons applying for and receiving certificates under this act. The board shall recommend to the Governor of the state for C. P. A. certificates only those applicants who shall meet the full requirements as called for by the rules of the board and who have complied with the requirements of this act. The provisions of this act shall not be construed to invalidate any certificate heretofore granted under act number ninety-two of the Public Acts of nineteen hundred five.

SEC. 4. The Governor shall issue certificates to the persons who are recommended to him by the Board of Accountancy as having qualified under the provisions of this act. The Governor may revoke any certificate for sufficient cause, after written notice to the holder thereof, and a hearing thereon, and shall issue such notice whenever requested to by the board.

SEC. 5. The Board of Accountancy may in its discretion register the certificate of any certified public accountant who is a lawful holder of a C. P. A. certificate issued under the law of another state, and may issue to such certified public accountant a certificate of registration, which certificate shall entitle the holder to practice as such certified public accountant and to use the abbreviation C. P. A. in the state: *Provided, however,* That such other state extends similar privileges to certified public accountants of this state. The regular fee of twenty-five dollars shall be charged for such certificate. Certificates of registration may be cancelled in the same manner as sections four and seven provide for the revoking or lapsing of certificates issued under this act. No certificate of registration shall be issued until all the provisions of section seven of this act shall be complied with.

SEC. 6. If any person shall hold himself out to the public as having received a certificate, as provided in this act, or shall assume to practice as a certified public accountant, or use the abbreviation C. P. A., or any other letters, words or figures to indicate that the person using the same is such certified public accountant, without having received such certificate, or after the same shall have been revoked, or suspended because of any lapse of the surety bond as provided in section seven hereof, he shall be deemed guilty of a misdemeanor, the penalty for which shall be a fine of not more than five hundred dollars for each offense or imprisonment in the county jail for a period not exceeding six months.

SEC. 7. Every person prior to receiving a certificate under the provisions of this act, shall give a five thousand dollar surety bond to the Secretary of State before entering upon his duties for the faithful performance of the same and shall maintain such surety bond without lapses under penalty of automatic revocation of his certificate concurrent with any lapse of said bond: *Provided, however,* That said certificate shall automatically become of full force and effect at any future date by the filing of such a bond after any period so elapsed. All audit reports signed as certified public accountant must bear the date of his C. P. A. certificate and the date of expiration of said surety bond and shall be signed only by actual holders of certificates under this act in person, and any corporation, association, company, firm or partnership signatures thereto will be considered as a violation of this act and subject to prosecution thereof and the signature of such C. P. A. so affixed to any audit report shall be permitted only to such C. P. A. having performed the examination in person. Whenever any typewritten, stereotyped, lithographed, engraved, printed or written matter is issued either in the form of letters, circulars, audit reports, or otherwise indicating C. P. A. service, it shall be considered a violation of this act unless the signature thereto shall be that of a holder of a certificate issued as herein provided.

SEC. 8. All acts or parts of acts in anywise inconsistent herewith are hereby repealed.

Approved May 7, 1913.

THIRD MICHIGAN C. P. A. LAW

Act 240, *Laws of* 1913, *Approved May* 7,1913, *Establishing Michigan State Board of Accountancy*

Amended by Act 155, *Laws of* 1917, *Approved May* 2, 1917, *Being Sections six thousand eight hundred ninety-eight to six thousand nine hundred five of the Compiled Laws*

An act to establish a board of accountancy, to provide for the granting of certificates to those public accountants who qualify under the provisions of this act, and to provide a penalty for violation thereof.

The People of the State of Michigan enact:

SEC. 1. Same as 1913 Law.

SEC. 2. Same as 1913 Law.

SEC. 3. Same as 1913 Law.

SEC. 4. Same as 1913 Law.

SEC. 5. The Board of Accountancy may in its discretion register the certificate of any certified public accountant who is a lawful holder of a C. P. A. certificate under the laws of another state, and may issue to such cer-

tified public accountant a certificate of registration, which certificate shall entitle the holder to practice as such certified accountant, and to use the abbreviation C. P. A. in the state: *Provided, however,* That such other state extends similar privileges to certified public accountants of this state. The regular fee of twenty-five dollars shall be charged for such certificate. Certificates of registration may be cancelled in the same manner as section four provides for revoking certificates issued under this act.

SEC. 6. The Board of Accountancy may in its discretion grant authority to a person who is a lawful holder of a C. P. A. certificate issued under the law of another state, with which state reciprocal relations have not been established or when said certificate was secured under a waiver clause, to use the title certified public accountant or the abbreviation C. P. A. followed by the name of the state issuing such certificate. It may also, in its discretion, grant authority to a person who is a lawful holder of a certificate issued under the laws of a foreign country to use the title chartered accountant or the abbreviation C. A. The regular fee of twenty-five dollars shall be charged for such grant which grant may be cancelled in the same manner as section four provides for revoking certificates issued under this act.

SEC. 7. The use of other terms and titles than certified public accountant or chartered accountant and abbreviations than C. P. A. or C. A. as indicating specially granted authority is prohibited, but no person shall be denied the right to indicate membership in any society of professional public accountants which may be officially recognized by the Michigan State Board of Accountancy. All certificates issued, registered, or authorized under the terms of this act are given to individuals. Firms and corporations may not use the terms certified public accountants or chartered accountants. If any person shall hold himself out to the public as having received a certificate, a certificate of registration, or a grant of authority as provided in this act, or shall assume to practice as a certified public accountant or a chartered accountant or use the abbreviations C. P. A. or C. A. or any other words, letters or figures to indicate that the person using the same is a certified public accountant or a chartered accountant or an accountant with specially granted authority without having received such certificate, or registration, or grant of authority, or after the same shall have been revoked, or if such person shall as a member of a firm or corporation permit the use in any manner of the terms certified public accountants or chartered accountants in connection therewith, he shall be deemed guilty of a misdemeanor the penalty of which shall be a fine of not more than five hundred dollars for each offense or imprisonment in the county jail for a period of not exceeding six months.

Approved May 2, 1917.

RULES GOVERNING EXAMINATIONS FOR C. P. A. CERTIFICATES UNDER THE LAWS OF MICHIGAN

Act 240, *Laws of* 1913, *as Amended by Act* 155, *Laws of* 1917, *Creating the State Board of Accountancy*

Examinations will include questions on the following subjects as affecting Accountancy:

(a) Theory of Accounts
(b) Practical Accounting
(c) Auditing
(d) Commercial Law
(e) Public Finance and Political Economy

The examination in practical accounting will occupy two half-day periods and each of the other examinations will occupy one half-day period, each period being approximately four hours.

All applications should be made on blanks furnished by the Board, and no application will be considered unless accompanied by the fee of $25.00 and filed with the Secretary of the Board at least ten (10) days prior to the date set for the examination.

Applicants must be over the age of twenty-one (21) years and of good moral character.

Applicants must have completed at least a high-school course of study, or have received an equivalent education, prior to the date of application.

The act of filing an application for an examination shall be deemed to be and shall constitute an agreement upon the part of the applicant that he will observe and conform to the requirements expressed in these rules.

Ample notice will be given to each applicant of the time and place selected for holding the examination, and each applicant must be present and prepared to engage in the work promptly at the hours appointed. Failure to do so, will be considered, at the discretion of the Board, just cause for exclusion and forfeiture of the amount of the fee.

All answers to questions submitted must be written on blanks provided by the Board.

A candidate to pass an examination must receive a percentage of seventy-five (75%) in each of the five subjects.

Questions and examination papers are the property of the Board and will not be available at any time for inspection.

The answers to the questions on each subject must be completed within the time allotted.

In the event of the applicant failing to pass the examination, he may be re-examined after one (1) year, in accordance with the Act and rules of the Board, upon the payment of an additional fee of $25.00: Provided, however, That if he shall have passed four of the five subjects, he shall be permitted to sit for an examination on the fifth subject at the next examination without payment of an additional fee. In case of a second failure in said fifth subject, an additional fee of $25.00 will be charged if the applicant desires to take another examination.

Applicants, when so required, must appear in person before the Board to answer any questions, or produce any evidence to sustain such facts as may be necessary to determine the qualifications of the applicant as prescribed by the Act and the rules of the Board.

Any applicant before being entitled to receive a C. P. A. certificate must have had at least two (2) years' continuous practical experience in public accounting immediately preceding the date of application. The sufficiency of such experience will be judged by the Board.

The Board will recommend to the Governor of the State for C. P. A. certificates only those applicants who have met in full the provisions of the Act and the rules of the Board.

Examinations will be held twice each year and at such times and places as applications may warrant.

The Board will not issue Certificates of Registration or Certificates of Authority to holders of certificates received from other states or countries if the holders are now engaged in private accounting work, but in case the holders return to public accounting work an additional two years of experience will not be required before granting such certificates.

Certificates of Registration and Certificates of Authority will only be granted when a person has established a residence or a place for the regular transaction of business in Michigan.

These rules, or any of them, may be amended at any meeting of the Board.

All communications should be addressed to the Secretary of the Michigan State Board of Accountancy.

APPLICATION FOR C. P. A. CERTIFICATE

To the State Board of Accountancy,
Michigan

GENTLEMEN:

[ ] *Request for Examination*

I hereby make application to be examined by your Board for a certificate entitling me to practice, be styled, and be known as a Certified Public Accountant under rules adopted by your Board in accordance with the provisions of section four of Act 240, Laws of 1913, as amended by Act 155, Laws of 1917. I am enclosing certified check for $25.00 payable to your order.

[ ] *Request for Registration*

I hereby make application to have a Certificate of Registration issued me, based on a C. P. A. certificate received from the State of .....as the result of an examination held at..... .....on....., so that I may be entitled to practice, be styled, and be known as a Certified Public Accountant under the rules adopted by your Board in accordance with the provisions of section five of Act 240, Laws of 1913, as amended by Act 155, Laws of 1917. I am enclosing certified check for $25.00 payable to your order.

[ ] *Request for Authority*

I hereby make application to have a Certificate of Authority issued me, based on a certificate received under conditions named in No. 15 of this application, so that I may be entitled to practice, be styled, and be known as a Certified Public Accountant or a Chartered Accountant under rules adopted by your Board in accordance with the provisions of section six of Act 240, Laws of 1913, as amended by Act 155, Laws of 1917. I am enclosing a certified check for $25.00 payable to your order.

1. Full name .....
2. Date and place of birth.....
3. A citizen of the United States?.....How long?.....

4. Preliminary Education. (a) Graduate of high school at.....
.....Date graduated .....

(b) If not a high school graduate, what equivalent education have you had?

.....

.....

5. Experience in the study of accounting during the last five (5) years:

During.....

During.....

During.....

During.....

During.....

6. State occupations or business during the five (5) years prior to engaging in the practice of public accounting:

During..... During..... .....

During..... During.....

During..... During.....

7. How long engaged in the practice of public accounting?.....

.....

State where and by whom employed or whether on your own account during the past five (5) years:

During.....

During.....

During.....

During.....

During.....

8. Residence this date .....

9. Residence during the past ten (10) years:

During..... During.....

During..... During.....

During..... During.....

During..... During.....

During..... During.....

10. Present office or place of business.....

11. Present business or occupation.....

12. Is it your present purpose to continue in the practice of public accounting? .....

13. Name five concerns and give addresses on whose books you have worked professionally, either as principal accountant or as assistant, during the past two years:

Name .....Address .....
Name .....Address .....
Name .....Address .....
Name .....Address .....
Name .....Address .....

14. Give the names and addresses of three persons, neither of whom must be a relative or a business associate, to whom we may refer:

Name .....Address .....
Name .....Address .....
Name .....Address .....

15. Give any other general information which may aid the Board in passing on your application: .....
.....
.....
.....

Signature of Applicant,

Date.....19.. .....

STATE OF MICHIGAN, }
County of..... } ss.

The undersigned, being duly sworn, says that the foregoing statements are true.

Signed.....(L. S.)

Subscribed and sworn to before me this.....
day of.....A. D. 19....

.....
Notary Public.

My commission expires.....

SUGGESTED BIBLIOGRAPHY

In 1912, the Committee on Education made a report to the American Association of Public Accountants, listing certain books which were considered by them worthy of recommendation to all students of accountancy. The Committee on Education of the American Institute of Accountants suggested several other books in a report prepared for the 1919 meeting. We are presenting the combined list with a few others added:

A. B. C. of Wall Street ..... S. A. Nelson
Accountancy of Investment ..... Charles E. Sprague
Accounting Practice and Procedure ..... A. Lowes Dickinson
Accountancy Problems, Vols. 1 and 2 ..... Leo Greenlinger
Accounting Systems ..... Edward Moxey
Accounting Theory and Practice—2 Vols ..... R. B. Kester
Accounts of Executors and Testamentary Trustees
..... J. Hardcastle
Advanced Accounting ..... L. R. Dicksee
American Association of Public Accountants' Year Book
American Institute of Accountants' Library Catalog
Applied Theory of Accounts ..... P. J. Esquerre
Auditing Theory and Practise ..... R. H. Montgomery
Book Keeping and Accounting ..... H. M. Rowe
Business Finance ..... W. H. Lough
Commercial Geography ..... C. C. Adams
Corporate Organization and Management ..... T. Comyngton
Corporation Accounting ..... R. J. Bennett
Corporation Finance ..... W. H. Lough
Corporation Finance ..... Edward S. Meade
Corporation Finance and Accounting ..... H. C. Bentley
Cost Accounting ..... L. W. Hawkins
Cost Accounting ..... Nicholson-Rohrback
C. P. A. Problems and Solutions ..... Henry C. Cox
Digest of National Banking Laws ..... A. S. Pratt & Sons
Economics of Business ..... E. S. Meade
Economics of Efficiency ..... N. A. Briscoe
Economics of Enterprise ..... H. J. Davenport
Elementary Accounting Problems ..... John R. Wildman
Elementary Economics ..... C. M. Thompson
Elements of Business Law ..... E. W. Huffcut
Estimating Cost-Keeping and Profit-Making
Metal Worker, Plumber and Steam Fitter
Evolution of Industrial Society ..... Richard T. Ely

Factory Costs .....Frank E. Webner
File of Publications on Terminology and Uniform Systems of Accounting by U. S. Census and Labor Bureau
File of Rules and Forms of Interstate Commerce Commission
Fraud in Accounts—No. 30 of the Accountants' Library
Getting the Most Out of Business.....E. St. Elmo Lewis
Graphic Methods for Presenting Facts .....W. C. Brinton
History of Accounting and Accountants.....Richard Brown
History of Commerce.....C. Day
History of Commerce and Industry.....C. A. Herrick
How the World Makes Its Living.....Logan G. McPherson
How to Find Factory Costs.....C. B. Thompson
Increasing Human Efficiency in Business.....W. Dill Scott
Introduction to Statistical Methods.....Horace Secrise
Journal of Accountancy
Lombard Street .....Walter Baghot
Manual of Commercial Law.....E. W. Spencer
Mercantile Credits and Collections.....Charles A. Meyer
Modern Accounting.....Henry R. Hatfield
Municipal Administration and Accounting...Fred'k A. Cleveland
Office Management .....Lee Galloway
Organized Banking.....E. E. Agger
Outlines of Economics.....Richard T. Ely
Partnership Accounts .....P. Child
Personality.....Harry C. Spillman
Philosophy of Accounts.....Charles E. Sprague
Practical Work of a Bank.....W. H. Kniffin
Principles of Accounting.....Paton and Stevenson
Principles of Bond Investment.....Lawrence Chamberlain
Principles of Depreciation.....E. A. Saliers
Principles of Wealth and Welfare.....Charles L. Raper
Psychology and Industrial Efficiency.....Hugo Munsterberg
Railroad Finance.....Cleveland and Powell
Revised or Annotated Statutes of the State of Residence
Scientific Management.....Frederick A. Parkhurst
Selected Readings in Economics.....C. J. Bullock
Shop Management.....Frederick W. Taylor
Short Rules for Commercial Calculations.....Patrick Murphy
The Selling Process.....N. A. Hawkins
Theory and Practice of Estate Accounting..Frederick H. Baugh
Theory of Business Enterprise.....Thorstein Veblen
Twelve Principles of Efficiency.....H. Emerson
Unified Accounting Methods for Industrials..Clinton E. Woods
Work, Wages and Profits.....H. L. Gantt

THEORY OF ACCOUNTS

MICHIGAN STATE BOARD OF ACCOUNTANCY

EXAMINATION

for the degree of

CERTIFIED PUBLIC ACCOUNTANT

July 27-28, 1906

THEORY OF ACCOUNTS

Saturday, July 28, 1906, from 8:00 A. M. to 12:00 M.

75 credits necessary to pass out of a possible 100 credits.

Each complete answer will receive 10 credits. Do not repeat questions on examination papers but write answers only, designating the questions by number. The intelligence indicated by answers will be considered in marking the applicants, as well as the technical accuracy of such answers.

1. Define bookkeeping. State various kinds with explanations.
2. What books are necessary for recording the transactions of an incorporated company? State the use of each book mentioned.
3. Define the following:
   (a) Fixed assets and fixed liabilities.
   (b) Current assets and current liabilities.
4. Define Merchandise account and state how in your opinion it should be kept.
5. What is the purpose of the following accounts and how are they created on the books:
   (a) Sinking funds?
   (b) Reserve funds?
   (c) Depreciation?
   (d) Good will?
6. Name the various forms of Capital Stock, with full explanations.
7. How would you ascertain the profits of a firm whose books are kept by single entry?

8. What is a dividend? State when and how dividends become effective. State how declaration and payment of dividends are usually recorded in books of account.
9. State the use of a Private Lock Ledger and its relation to the General Ledger.
10. (a) What constitutes Manufacturing Cost?
    (b) What constitutes Selling Cost?
    (c) What relation do cumulative preferred stock dividends bear to the cost of operating?

THEORY OF ACCOUNTS

Friday, December 21, 1906, from 8:00 A. M. to 12:00 M.

1. The stock of a mercantile concern is partially destroyed by fire or flood. The books of account, however, are saved. How would you prepare a statement showing the loss? Explain fully.
2. What different methods have come under your observation of ascertaining the cost of articles manufactured? Explain each method fully, stating which in your opinion is preferable, giving reasons.
3. A manufacturing company purchased a large stock of material during the year at low prices but at time of annual inventory values had abnormally increased. How in your opinion should inventory and loss and gain be shown on the books?
4. A concern inventories its property and makes statement of Assets and Liabilities on the first of the year. The business continues and up to Oct. 1st $10,000.00 additional capital is paid in. Plant account during the same period increased $5,000.00. From Trial Balance of Oct. 1st, how would you determine the amount of merchandise and supplies necessarily on hand to show neither gain or loss for the period between January 1st and October 1st?
5. In closing the books of a concern state your treatment and the relations they bear to Loss and Gain of the following:
    (a) Goods purchased on consignment.
    (b) Goods sold on consignment.

6. You are requested to open the necessary books for recording the organization and business operations of an incorporated company having three forms of capital stock.
   (a) State what books are necessary.
   (b) Name the various forms of Capital Stock and how created, stating the rights and privileges of each.
7. A corporation invests its capital in a number of subsidiary companies, each subsidiary company having a distinct organization, but its dividends being payable to the parent company. The parent company decides to carry insurance for all the subsidiary companies and each pays in to the parent company monthly a specific sum. Fire losses as incurred are payable by the parent company. How are such entries treated and what should the books show, also what entries are necessary at close of fiscal years?
8. How are the profits of the following concerns divided:
   (a) Stock Company?
   (b) Co-partnership?
   (c) Co-Operative Association?
9. What is the meaning of Watered Stock and how should it appear on the books?
10. Define:
   (a) Quick Assets.
   (b) Floating Debts.
   (c) Fixed Charges.
   (d) Contingent Liabilities.

THEORY OF ACCOUNTS

Friday, November 1st, 1907, from 8:00 A. M. to 12:00 M.

1. Wherein do the books of a co-partnership differ from those of a corporation in the same line of business?
2. On taking charge of a set of books kept by single entry belonging to a Produce Company, engaged in buying and selling farm produce, wholesale and retail, how would you suggest that they be started?
3. Prepare an Assignee's Account furnishing your own figures:
   (a) On taking charge.
   (b) Final account.

4. On buying an interest in a business, what entries should be made in the books of the business:
   (a) When a direct sale is made of an interest, the money not to be used in the business?
   (b) When the money paid for the interest in the business is to be used in the business?
5. Goods are shipped from a factory to a branch store. How should the invoice be made out in order that the proper results of the business should be shown in the books kept at the factory?
6. State the points of difference between a statement of receipts and disbursements and a statement of revenues and expenses.
7. Discuss the different methods of dealing with, first, Repairs, and second, Replacements in connection with:
   (a) A concern that writes off annually sufficient depreciation to cover the life of the machinery.
   (b) A concern where no depreciation is written off and where it is claimed the machinery is kept as good as new.
8. Explain fully and state how accounts should be carried upon the books with:
   (a) Authorized capital stock.
   (b) Unsubscribed stock.
   (c) Treasury stock.
   (d) Preferred stock.
   (e) Common stock.
9. In closing the books of a concern should the profit and loss account be affected by any change of value other than purchase or sale of any fixed asset? Show how such changes of values can be entered upon the books without including the same in Profit and Loss account.
10. Trace the various operations in an office where you have full charge as an accountant from the time an order is given for the purchase of material until such material is paid for, to protect the company from any possible loss in the transaction.

THEORY OF ACCOUNTS

Friday, June 26, 1908, from 2:00 P. M. to 6:00 P. M.

1. Do unsold bonds of a railroad company constitute a liability? If they do, under what account would they appear in the ledger? Does unsubscribed stock in a corporation constitute a liability? If it does, under what account would it appear in a ledger?

2. State in what respects:
   (a) The rights, and
   (b) The duties of an Executor and an Administrator differ.
   (c) How an Executor is appointed.
   (d) In what order should an Executor pay the debts of an estate?
   (e) What form of receipt should he require for any payments made by him?
3. Name five (5) classes of Bonds, describing briefly each class with regard to issue, purpose, redemption, etc.
4. Should a manufacturing establishment invoice its sales to its branch houses at cost or at a profit? What would be the advantages for either the factory or the branches by either of these methods. Explain fully.
5. Give your opinion regarding the following, and reasons:
   (a) Should ordinary discount of 2½% a month be considered as a trade or a time discount?
   (b) Is it proper to take credit in the Balance Sheet for discounts on Purchase Creditors' Accounts?
   (c) Whether in arriving at a proper amount as a Reserve for Bad Debts, the length of credit should be taken into account and why?
6. Name a fair allowance for depreciation per annum on the following plant assets:

   Real Estate, including fences, sidewalks, tracks, etc.
   Building and Building Fixtures—fire-proof construction.
   Factory Equipment, including benches, cupboards, etc.
   Machinery, both iron and woodworking.
   Fixed Tools, both iron and woodworking.
   Loose tools, both iron and woodworking.
   Power Plant.
   Electric Wiring and Apparatus, including dynamos, motors, etc.
   Sprinkler System and Fire Equipment.
   Blower System.
   Office Furniture and Fixtures, including typewriters, adding machines, graphophones, multigraphs, etc.
   Horses and Mules.
   Wagons, Harness and Trappings.
   Patterns, iron and wood, and Drawings.
   State your opinion—for or against—the necessity of providing for depreciation in a manufacturing business.

7. Define the following terms: Prime Cost, Indirect Charges (On-Cost), Shop Cost, Cost of Production, Commercial Expenses, Stores, Stock, Storeroom, Warehouse, Freight-in and Freight-out.

8. The trial balance and schedules of debtors and creditors in the books of a manufacturing concern disclose:

   (a) Debts owing to and by the same firms among the debtors and creditors.

   (b) Money owing by the concern to a debtor for calls unpaid and in arrears.

   (c) Money owing by the concern to the acceptor of a note receivable, discounted by the concern's bank.

   (d) Money owing to the concern by the drawer of a note payable accepted by the concern.

9. What considerations guide you in deciding in each case whether these sums should respectively be set-off and excluded from the Balance Sheet or not, (assuming for the purpose of this question that the sums are all equal in amount) and what is your decision in each case?

10. Explain what is meant by Suspense, Reserve, Prepaid and Accrued accounts and give examples of each, showing proper classification on the debit and credit sides of a Balance Sheet.

11. Differentiate between Consignments, Adventures and Joint Accounts. How should Consignments Received, to be realized for and on behalf of another, be best treated? How should the managing partner of a joint adventure treat the same in his books? Illustrate.

THEORY OF ACCOUNTS

July 23, 1909, from 8:00 A. M. to 12:00 M.

1. Describe in detail your understanding of and the principles underlying the following systems of Wages, and their influence on the labor efficiency in a large manufacturing plant:

   (a) Day Rates.
   (b) Piece Rates.
   (c) Differential Piece Rates.
   (d) Premium Plan.
   (e) Bonus Plan.
   (f) Efficiency Plan.

2. Complete the following Chart of a Bank's Officers and Employees by setting forth briefly the duties of the various clerks and the different books and records kept by each, showing their relationship to each other, etc.: President, Vice-President, Cashier, Auditor, Receiving Teller, Paying Teller, Note Teller, Mail Teller, Exchange Teller, Loan Clerk, Discount Clerk, Correspondence Clerk, Stock and Bond Clerk, and General Bookkeepers. Give any further information with which you may be familiar concerning banking routine.

3. In most large banks the following books are kept: Private Ledger, General Ledger, Loans Ledger, Deposit Ledger, Investments Ledger, Agency Ledger, Corporation Ledger, Bills Discounted Book, Short Bills Book, Securities Record, Country Drafts Record, and Standing Order Book. Show the forms of rulings for these books and describe briefly the various accounts that enter into them.

4. (a) Describe how the officers or "insiders" of a corporation can "milk" the corporation to their own personal benefit.
   (b) What are the usual methods employed in such cases for the purpose of giving the stockholders and the public a wrong impression of a corporation's condition.
   (c) Refer to any such cases in the state courts or in your own professional practice where such methods have been exposed, describing briefly.

5. What books and records are essential to the use of the double-entry system in:
   (a) Manufacturing business.
   (b) Merchandising business.
   (c) Insurance business.
   (d) Commission business.

   Give list and description.

6. If a Bond reads at 4%, but the amount which will be received is 1.05 of the nominal par, what is the actual percentage of cash income?

7. (a) How would you adjust a fire loss where an inventory and full record of the business had not been kept?
   (b) Describe the practical application of the Co-Insurance Clause.
   (c) The Average Clause.
   (d) The Three-Fourths Value Clause.
   (e) The Three-Fourths Loss Clause.
   (f) The Use and Occupancy Form.

8. (a) If the value of the property insured is $10,000.00 and the actual insurance at the time of the fire is 80%, what would be the settlement if the loss was 50% of the total value?

   (b) If the property value was $10,000.00 with an 80% co-insurance clause and the actual insurance in force at the time of the fire was $6,000.00, what would be the owner's deficiency?

   (c) How much if the loss was only 40% of the total?

9. You are engaged to install a complete factory cost and accounting system in a large manufacturing plant. Describe the various steps in the handling of such a proposition and show by charts, the accounts (properly grouped, etc.) of the departments, (Productive and Non-Productive) logically arranged, and give a list of the various forms, etc., that would be required to record the factory operations to intelligently handle them from an accounting viewpoint as an integral part of the accounting system.

10. What system would you recommend to a factory for the proper checking of all labor employed:

    (a) To obtain a complete record of each employee from date of application for employment to date of discharge?

    (b) To prove that all labor paid for was actually accounted for?

    (c) That no mistakes had been made in figuring the time or in the paying off?

    (d) That the payrolls had not been padded in any manner?

    Mention the forms, mechanical appliances, etc.. required for such a system and the independent internal checks necessary to prevent collusion between clerks and employees.

THEORY OF ACCOUNTS

Friday, June 24, 1910, from 1:30 P. M. to 5:30 P. M.

1. Explain the difference between:

   (a) Receipts and Disbursements. (b) Revenues and Expenses.

2. Define Capital Receipts, Capital Expenditures, Fixed Assets, Floating Assets, Revenue Receipts, Revenue Expenditures, Gross Profits, Net Profits, Net Income.

3. (a) In the books of a contracting concern, what treatment should be accorded to amounts received from time to time on estimates?

   (b) In the valuation of assets, what basis is implied by the term "a going concern?"

4. (a) What is Good Will and on what should it be based to arrive at its money value?

   (b) Is it rightfully subject to a depreciation charge?

   (c) Is it permissible under Michigan laws for a company to capitalize Good Will? Explain fully.

5. An issue of Mortgage Bonds of the par value of $100,000.00 and running for five years has been sold at 90, the money to be used in the erection of new buildings. How should the transaction be recorded and why?

6. A municipality borrowed $150,000.00 for 5 years at 4%, interest payable annually. To meet the debt when it became due a Sinking Fund was created by depositing at 5% compound interest an equal sum at the expiration of each of the five years. What was the annual amount deposited?

7. (a) In a general way, what is the difference between a Financial Statement and a Balance Sheet?

   (b) In a general way what distinguishes Manufacturing Expenses from Commercial Expenses?

   (c) Give a form of Bank Reconciliation and explain the purpose of same.

8. (a) A Manufacturer having turned his business into a joint stock company and as yet owning all the stock himself—only a few shares standing nominally on the company's books as belonging to friends—finds after a time that the business needs more capital. Thereupon he agrees to sell a portion of the stock to outside parties for cash, stipulating that the money so obtained shall all be put into the business—that is to say, shall be at once expended in purchasing new machinery and in repairs and improvements, which is done accordingly. How is the transaction properly to be brought into the company's accounts?

   (b) How should premiums received on the issue of shares of Capital Stock be treated in the accounts of a corporation?

9. (a) Name four advantages of Controlling Accounts.
   (b) What is the best way of handling on the books the contingent liability on Notes Receivable that have been discounted at the Bank?
10. (a) Name ten matters of special importance in devising any system of internal check in the handling of office records.
   (b) In case you were consulted by prospective partners regarding the terms of a partnership agreement, what points would you recommend for incorporating in such agreement?

THEORY OF ACCOUNTS

Friday, June 28, 1912, from 8:30 A. M. to 12:30 P. M.

1. (a) Name three objects of bookkeeping.
   (b) Into what two general and what three special classes are accounts divided in double entry bookkeeping?
   (c) Give two examples of Fixed Assets in one business which become Floating Assets in another business.
   (d) What are revenue receipts?
   (e) What are revenue expenditures?
   (f) Name and define five commonly used sub-divisions of revenue expenditure accounts.
2. (a) Should cash discounts earned be credited against the cost of goods purchased, or credited to profits? Explain why.
   (b) What is meant by "turnover?"
   (c) How can the amount of the "turnover" be shown in the Trading Account?
3. (a) What is a Balance Sheet?
   (b) In what order should the various accounts be listed on the Balance Sheet?
   (c) Give examples of the proper entries when the following transactions occur in respect to Notes Receivable:
      1. When a note is received.
      2. When a note is discounted.
      3. When a note is paid.

4. When a note is partly paid and a new note given for the balance.
5. When a note is collected by the bank.
6. When a note is protested.

4. (a) What is a reserve?
   (b) Give three examples showing purposes for which reserves are created.
   (c) What is a Sinking Fund?
   (d) What is its purpose?

5. (a) Prepare a chart of accounts of a manufacturing business making and selling three distinct classes of goods.
   (b) Using this chart, explain how profits are traced from group to group until they reach the Surplus Account.

6. (a) What are the elements of Interest?
   (b) What is the rate of discount corresponding to 2% interest?
   (c) In a 4% bond to net 2½% what is the difference of rates?

7. (a) In devising a system of accounting for a manufacturing business, what are the main subjects for consideration?
   (b) In what order should they have attention?
   (c) Describe the principal books that should be used and their relation and connection.

8. Define and differentiate the following kinds of accounts:
   (a) Real and Nominal.
   (b) Personal and Impersonal.
   (c) Current and Summary.
   (d) Controlling and Specific.

9. Describe the various methods of distributing "Factory Expense" or "On Cost" so as to properly apportion same to the cost of the articles manufactured and sold during a period, stating the advantages of each method in various kinds of businesses.

10. Lay up a complete administrative chart for a large manufacturing concern to show the different departments and departmental heads from the Board of Directors down, so as to place responsibility, indicate control and to show to whom reports should be made.

THEORY OF ACCOUNTS

Friday, June 13, 1913, from 8:00 A. M. to 12:00 M.

1. Explain the ways in which the books and accounts kept by a firm conducting any line of business would differ from those of an individual conducting the same business.

2. (a) Explain the books and accounts needed by a corporation that are not needed by a firm.
   (b) What advantages are there in incorporating? What disadvantages?

3. (a) Name the various kinds of stock and explain what the different kinds represent.
   (b) How would the following affect the individual holders or subscribers: secret reserves, excessive dividends, bankruptcy, and voluntary dissolution of the corporation?

4. (a) Explain the various ways of determining the cost of manufactured articles.
   (b) What is the method of operating controlling accounts, and of what benefit are they?
   (c) In case of branch stores or branch factories, should goods delivered from the main store or factory be charged at cost, or should a profit be added in making the charge?

5. (a) Name the arguments for double entry bookkeeping as opposed to single entry bookkeeping.
   (b) What facts can be determined from books kept by double entry which cannot be determined from books kept by single entry?

6. (a) Explain the method of keeping books so as to provide a perpetual inventory. Take any kind of business for an illustration.
   (b) Present a hypothetical trial balance.
   (c) What do you understand by overhead charges?

7. A public institution is operating on a budget basis. The secretary of the institution has charge of the accounts pertaining to the budget. A purchasing agent is employed who is responsible

to the secretary. All requisitions for goods come to him from the heads of the departments for which provision has been made in the budget. A stock room is operated in charge of a stock-keeper. Suggest the method of procedure so far as records are concerned from the time the budget for the year is made up until it is closed, showing what records should be kept by the secretary, what by the purchasing agent, and what by the stock-keeper.

8. (a) Explain the various kinds of discounts found in the business world and the methods by which they should be distinguished in books of account.
   (b) Explain a method of allocating expenses in a department store.
   (c) Describe briefly the Imprest Cash system.
9. (a) What different methods should be employed in books of account for keeping track of notes endorsed for accommodation and notes endorsed in the regular order of business?
   (b) How would you indicate in books of account the contingent liability arising in each case?
10. (a) Name and explain the various kinds of bonds found in business, showing the method by which entries would be made for receipts from the same for bonds sold below or above par.
   (b) How should expenditures for repairs or replacements be treated in so far as they relate to the question of depreciation?
   (c) Distinguish between receipts and disbursements and revenues and expenditures.

THEORY OF ACCOUNTS

Saturday, December 27, 1913, from 8:00 A. M. to 12:00 M.

1. (a) Explain the inaccuracies from an accounting standpoint of the ordinary Interest and Discount account.
   (b) Explain by entries the proper accounting for each case in which interest and discount is involved in handling both Bills Receivable and Bills Payable.

2. Explain all the possible accounting problems which occur in connection with such accounts as Good Will, Franchise or Patents.
4. Explain the various methods by which the different kinds of overhead charges are adjusted in a manufacturing concern.
5. Explain the different ways in which the discount on bonds sold below par may be written off by the issuing concern. Which is the best?
6. Prepare a Balance Sheet which will be a model as to mechanical principles involved.
7. A city has just taken over an electric light plant. You are asked to prepare a statement as to the accounting errors against which the public commission which is to operate the plant should guard itself. Write your answer.
8. (a) Outline a method by which the disbursing officer in a large concern may be sure that bills which he pays are O. K.
   (b) How would you determine the loss in case of a fire if the books had been saved but were not kept so as to show a perpetual inventory?
9. Prepare a Trading Account which will show all the various factors.
10. Outline a Cost System for a definitely named institution.

THEORY OF ACCOUNTS

Saturday, June 27, 1914, from 1:30 P. M. to 5:30 P. M.

1. Explain duties of Executor or Administrator. Explain form of his reports and indicate points of care to be observed in keeping his accounts. Name the other reports used in closing an estate and object of each.
2. In calculating the indirect expense for a Grey Iron Casting Foundry, which is correct: the per pound basis, the rate per hour basis, or the percentage basis? Give reasons and explain fully.
3. What do you understand by the following terms and give illustrations of each: Deferred Debits and Credits, Fixed Assets, Quick Assets, Fixed Liabilities, Current Liabilities, Fixed Charges, Contingent Liabilities, Real Accounts, Nominal Accounts, Watered Stock?

4. Set up a Deficiency Account, explaining the points involved?
5. Explain fully the fundamental points to be observed in a complete system of municipal accounts, where some public service department is owned by the municipality?
6. Describe in detail the principles underlying the following systems of wages, and their effect on the efficiency of labor in a large plant: day rate, piece rate, differential piece rate, premium plan, bonus plan, efficiency system.
7. List books and give purpose of each, used by a corporation but not used by a partnership. Name accounts and use of each that are peculiar to corporation accounting. Make a statement of facts for organizing a corporation with preferred and common stock and an issue of bonds; bonds to be sold at par, preferred stock at 125 with an equal amount of common stock given as a bonus. Explain the process of organization and make the opening entries.
8. (a) A has $5,000.00 invested in a business. He sells B a half interest for $3,000.00 and keeps the money. Make the entry.
   (b) A has $5,000.000 invested in a business. He sells B a half interest for $3,000.00 and places the money in the business. Make the entry.
9. What do you understand by the following terms: Capital Receipts, Capital Expenditures, Revenue Receipts, Revenue Expenditures, Sinking Fund, Reserve Fund, Prepaid Accounts, Accrued Accounts, Suspense, Controlling Accounts.
10. List the various kinds of plant assets and indicate the various percents of allowances for depreciation, making such explanations as are necessary.

THEORY OF ACCOUNTS

Thursday, December 24, 1914, from 8:00 A. M. to 12:00 M.

1. Write a five hundred word outline of the regional bank legislation recently enacted and indicate ways in which it will affect business.
2. Define: Account Current, Account Stated, Amortization, Revenue, Working Capital, Betterment, Accrual, Hidden Reserve, Internal Check, Administration Expense.

3. Four corporations which have been doing business with each other consolidate. In each set of books accounts are open with the other three. How will these be treated in the consolidated balance sheet?
4. Explain the bookkeeping principles involved for both consignor and consignee when goods are consigned by a manufacturing concern.
5. Set up a balance sheet in best form.
6. Write a five hundred word essay on cost accounting, explaining principles on which it is based, advantages of a system, and points of weakness to be considered.
7. Outline a system of books for a concern conducting a wholesale drug house, a retail pharmacy, and a jobbing business in chemicals and apparatus used by colleges. Some setting up and repairing of apparatus is done and so a shop is conducted. Four departments required and but one set of books.
8. Explain in detail the theory of depreciation in its various phases.
9. (a) What differences should be noticed in the books of a concern conducted by a partnership from those of a concern in the same line of business conducted by a single individual?
   (b) What information can you get from a set of books kept by double entry which you cannot get from a set kept by single entry?
10. (a) Make entries in journal form, with proper explanations, for all the various ways in which bonds issued by a corporation may be sold by it and afterwards paid.
    (b) Make entries in journal form, with proper explanations, for the transactions involved when notes are received, discounted, paid if protested after discount, paid by maker when due, paid by maker at 25% discount, paid by maker with interest.

THEORY OF ACCOUNTS

Saturday, June 19, 1915, from 8:00 A. M. to 12:00 M.

1. Explain the proper method of handling Merchandise account, and outline the various sub-divisions.
2. Explain the Voucher System in detail.

3. Set up a statement of facts involving a complete history of a sinking fund created for a particular purpose, and make the proper entries for the same.

4. (a) Explain the method of maintaining a perpetual inventory.
   (b) Explain Treasury Stock in all of its phases.

5. Define: Funded Indebtedness, Allonge, Deferred Charges, Burden, Appreciation, Capital Expenditures, Secret Reserve, Income Bonds, Imprest Cash, Income Account.

6. A bought goods of B as follows:

May 4, 30 days	$800.00
May 30, 2 months	500.00
June 8	400.00
June 20	300.00

   July 1st A gave B a note for sixty days drawing interest at six per cent and dated at the average due date. Write the note.

7. (a) Explain differences between Trial Balance, Statement of Affairs and Balance Sheet.
   (b) Explain differences between Trading Account, Loss and Gain Account, Manufacturing Account.

8. You have been asked to prepare a system required for a club house where rooms and board are furnished at a fixed rate per week. Submit a report to the directors outlining just what should be done, and what books and accounts would be needed.

9. (a) Discuss from both standpoints the proposition that capital may be properly regarded in any set of books as a liability.
   (b) How would you arrange books so that only the proprietor, or his personal representative, would be able to determine the true financial status of the business?

10. About a year ago the Ford Motor Co. agreed to make a refund to each purchaser during the succeeding year if a stated number of machines were sold during the year. If you had been asked to determine a method by which the necessary records should be kept in order that the least inconvenience should be experienced at the close of the year when this refund was made, it being apparent that the requirement would be met, what orders would you have given? Write a report embodying same.

AUDITING

MICHIGAN STATE BOARD OF ACCOUNTANCY

Examination for the Degree of

CERTIFIED PUBLIC ACCOUNTANT

July 27-28, 1906

AUDITING

Saturday, July 28, 1906, from 1:00 P. M. to 5:00 P. M.

75 credits necessary to pass, out of a possible 100 credits. Each complete answer will receive 10 credits. Do not repeat questions on examination papers but write answers only, designating the questions by number. The intelligence indicated by answers will be considered in marking the applicants as well as the technical accuracy of such answers.

1. What is the general course for an accountant to follow when called upon to audit the books of any business?
2. How far should an auditor inquire into the work of his predecessor?
3. What are the most important things an auditor has to certify in a balance sheet showing loss and gain and the financial condition of a business?
4. What books or records of a partnership or corporation should be examined by an auditor?
5. Mention the methods of manipulating accounts which are most commonly resorted to for the purpose of concealing fraud and embezzlement.
6. How would you classify the accounts in preparing a statement of the following:
   (a) Gas and Electric Light Company?
   (b) Electric Railroad?
   (c) A Manufacturing Business?
7. What accounts would be affected by depreciation on leased properties?

8. Should depreciation be written off the accounts of a corporation whose property is of a wasting nature, such as a quarry or a mine? Give reasons.
9. When books show large additions to buildings and machinery consisting of portions of payrolls and material used, without items of detail, what means should be taken to prove or disprove the accuracy of the charges?
10. State briefly the work done by you in connection with some audit in which you have been engaged.

AUDITING

Saturday, December 22, 1906, from 1:00 P. M. to 5:00 P. M.

1. What details should be covered in an audit required to show earnings, financial condition, and fraud or defalcation if any, the scope of the audit not being limited except as to period to be examined of the following:
   (a) Manufacturing company.
   (b) Jobbing house.
   (c) Water Transportation Co.
2. In auditing a bank how would you verify:
   (a) Items in transit?
   (b) Certificates of deposit?
   (c) Collateral securities to loans?
3. A Treasurer of a municipality acts as tax collector for City, School, County and State Taxes during a period of three months in each year. At the expiration of three months a tax roll is made by the Treasurer of all delinquents and it is turned over to the County Treasurer for further collections. You are called to audit his accounts after delinquents have been turned over to the County Treasurer. State your method of verifying the accuracy of the books.
4. What classes of property, if any, in your opinion, are exempt from depreciation. Give reasons.
5. In auditing the books of a Building and Loan Association what would be your procedure to enable you to verify the correctness of the same?
6. How would you verify the cash balance stated in a balance sheet ante-dating by several months the time of your audit?

7. A manufacturing company ships its products in packages costing 7½c each. They are charged to customer at 10c each but subject to credit when returned in good order at same price as charged. At close of year, package account shows an apparent gain being the difference between cost of package and amount of contingent sales. What disposition should be made of the Ledger gain at close of year?
8. Should Bank pass books be considered as final proof in verifying balances shown in books you are auditing? State your opinion and give reasons.
9. How would you proceed to verify Accounts Receivable also to satisfy yourself that all Liabilities are included in the Balance Sheet?
10. You have completed an investigation of books which were improperly kept. Make up report of from 100 to 200 words on the result of your investigation.

AUDITING

Saturday, November 2, 1907, from 1:00 P. M. to 5:00 P. M.

1. What is an auditor?
   What qualifications must he possess?
2. If an auditor is limited in time that would not allow a thorough examination, how would he proceed to prove the general correctness of the books? Explain fully.
3. What are some of the methods used by county and municipal treasurers to cover an embezzlement of money received in payment of taxes?
4. What other records are necessary to examine, if any, than those kept by the secretary and treasurer of a Building and Loan Association to prove the financial condition, also the correctness of the books of such association?
5. State the benefit of a periodical audit and whether the audit differs from a special covering the same period. Explain fully.
6. How far should an auditor examine into the records of a corporation which is desirous of using the auditor's certificate so as to enable it to float a loan or interest additional capital?

7. How would an auditor protect himself from duplicate vouchers or fraudulent bank books?
8. How would you prove the correctness of an audit made by another accountant at a previous date and how would you protect yourself in a report of your audit?
9. Where a set of books shows a loss and the nature of the business, etc., warrants the belief that there was a profit, for the purpose of an audit what special accounts, etc., would you outline for examination and what method would you pursue?
10. State briefly the work done by you in connection with some audit in which you have been engaged.

AUDITING

Friday, June 26, 1908, 8:30 A. M. to 12:30 P. M.

1. What is an auditor's duty with regard to the following items appearing upon the Balance Sheet: Imprest Cash, Notes Receivable, Customers' Accounts, Sundry Debtors, Mortgages Payable, Certificates of Deposit, Patents, Goodwill, Preliminary (or Organization) Expenses, Stocks and Bonds, Purchase Creditors' Accounts and Sundry Creditors?
2. What do you understand by the term "Secret or Hidden Reserves?" Mention four (4) bona-fide uses of a Secret Reserve and state your opinion as to the propriety or otherwise of the creation of such "reserves," giving reasons.
3. The J. B. & B. Coal Mining Company has acquired a leasehold right to a certain area of coal, and also owns an area of freehold coal. What would you require as auditor, to satisfy yourself that revenue was bearing its proper annual charge in respect to the coal mined?
4. Chart the following accounts of a Street Railway Company under their proper classification and logical order, as to Assets, (Active, Fixed and Passive), Liabilities, (Funded, Floating, Reserves and Capital), Expenses, (Transportation, including Operation of Power Plant and Car Service), (General, including Administrative, Emergencies and Fixed Charges), (Maintenance, including Repairs and Depreciation), and Revenue, (a) from operation, and (b) from other sources:

Organization Expenses, Preliminary Engineering and Superintendence Right of Way, Track and Roadway, Notes Payable, Cash in Office, Profit and Loss, Power Plant Wages, Salaries of General Officers, Damages, Taxes, Electric Line, Investment Real Estate, Debentures, Vouchers Payable, Stocks and Bonds of Other Companies, Hired Power, Wages of Conductors and Motormen, Car Service Supplies, Insurance, First Mortgage Bonds, Ninth National Bank, Cleaning and Sanding Track, Printing and Stationery, Legal Expenses, Rent of Land and Buildings, Notes Receivable, Shop Tools and Machinery, Passenger Receipts, Rolling Equipment, Dividends, Material and Supplies, Freight Receipts, Interest on Deposits, Track Rentals, Common Stock, Sinking Funds, Goodwill, Mail Receipts, Sale of Power, Dividends on Securities, Salaries of Clerks, Removal of Snow and Ice, Advertising and Attractions, Storeroom Expenses, Steam Plant, Items in Suspense, Impairment and Surplus, Reserves, Accounts Receivable, Second Preferred Stock, Second Mortgage Bonds, Fuel and Water for Power, Buildings and Fixtures.

5. A $100.00 Bond is issued at $115.00 and is payable as to $35.00 on allotment, and as to the remaining $80.00 in four equal installments at intervals of two months, the first installment being due two months after the allotment. If after a year a dividend of $6.00 is paid on each bond, what is the average rate of interest on the investment for the whole year?

6. The cashier of a firm has disappeared. The cash book is left written up and balanced off, the custom being to pay any cash balance into the Bank each day. What course would you take to ascertain whether there were any defalcations, if you were called upon to audit?

7. You are asked by a client to treat inventories at the time of closing the books. Should they be figured at cost or market price or otherwise? Is the common, old fashioned method of adding the inventory of merchandise on hand, to the credit side of the merchandise account before closing the books, theoretically correct? Explain fully.

8. What evidence would you require as to the validity of expenditure in respect to wages paid in a large manufacturing plant, and as to the value of the inventories of stock on hand credited to Loss and Gain? It is assumed that the above manufacturing concern kept a complete Cost System, which was an integral part of the general books.

9. John Adams, a capitalist, contemplates purchasing the stock of the American Grain Exporting Company, a corporation organized with a capital of $200,000.00 divided into 1,000 shares Preferred Stock and 1,000 shares Common Stock, par value $100.00 each, six per cent (6%) dividends payable upon the Preferred Stock before any dividends are declared upon the Common Stock.

This stock has been offered to Mr. Adams at $60.00 per share for the Preferred and $40.00 per share for the Common. You are requested to audit the books of the Company and give your opinion as to the value of the stock. You find the following accounts to be correct, covering a period of one year:

Cash		$ 900.00	
Accounts Receivable:			
Good	$15,000.00		
Doubtful	4,000.00		
Bad	6,000.00	25,000.00	
Plant and Machinery		75,000.00	
Horses and Wagons		4,000.00	
Merchandise, Invt.		29,000.00	
Good-Will		50,000.00	
Furniture and Fixtures		2,000.00	
Expenses		3,000.00	
Wages		15,000.00	
Purchases		325,000.00	
Claims and Rebates		8,000.00	
Ordinary Repairs		9,000.00	
Sales			$260,400.00
Mortgage on Plant			25,000.00
Accounts Payable			42,000.00
Surplus			18,500.00
Capital Stock			200,000.00
		$545,900.00	$545,900.00

Inventory submitted $129,000.00. The Company started business six years ago and build the plant and machinery and purchased the property pertaining to fixed capital. Write the report, commenting upon the advisability of the purchase and submit Profit and Loss Statement and Balance Sheet, after closing the books.

10. The market value of the investments of a Trust Company has fallen considerably, while the Company has earned enough income to pay the usual dividend. How should you deal with this position of affairs in auditing the annual accounts?

AUDITING

Friday, July 23, 1909, 2 P. M. to 6:30 P. M.

1. What is the average (equated date) of the following:
   (a) $114.00 due April 10; $140.00 due April 26; $320.00 due May 22; $976.00 due June 6?
   (b) June 3, $375.00 on 30 days' time; June 28, $420.00 on 60 days' time; July 16, $560.00 on 4 months' time; September 4, $228.00 on 90 days' time?
   (c) Dr. May 16, $437.00; Cr. May 23, $400.00; Dr. May 31, $324.00; Cr. June 16, $300.00?
2. (a) If instructed to carry out a monthly audit by the auditing committee of a club, what steps would you take to ascertain whether any peculations were being carried on in connection with the kitchen and the cafe?
   (b) What system would you recommend to prevent dishonesty on the part of the various employees, from the time orders are placed for buying the provisions and supplies, until the accounts of members are paid to the cashier and banked?
3. A man invests $2,000.00 in 3% Stock at 84, and $5,000.00 in 4% Stock at 96. After three years, he sells the former at 72 and the latter at 101.
   (a) What rate of interest has he received during the three years on his investment?
   (b) How is the value of his capital changed?

   Show by figures how you worked out the answers.
4. An American firm has an extensive trade with Spanish and English customers, to whom goods are invoiced in Spanish and English currency, and payments are accepted made by bills in those currencies. The firm's principal business is, however, in the United States. Explain in what manner you would arrange for the books to be kept and the titles of any special accounts that it might be necessary to keep.
5. Jones and Brown are partners, sharing profits equally. Their capital as it appears on the books of the partnership on June 20th, 1908, the date on which they dissolve partnership, is—Jones, $2,000.00 and Brown, $500.00. The total amount owing by the firm is $5,000.00, which includes $1,000.00 due to Jones

on a loan, and $500.00 due to Brown on a loan. The whole of the assets of the firm realize $6,000.00. Prepare accounts closing up the partnership and show the position in which the partners stand with each other.

6. How would you deal in a Life Insurance Company's accounts with premiums received, bearing in mind the fact that premiums are always paid in advance? Should you apportion them? Explain fully in your answer.

7. (a) How would you proceed with the audit of the accounts of a corporation whose capital was invested in the entire capital stock and bonds of a number of other companies, to arrive at a correct result as to the profits of the corporation? Answer fully, giving your reasons for your action, etc.

   (b) When would be the proper time for declaring dividends?

8. A certain issue of $100,000.00 4% Bonds is dated September 1, 1908, and interest begins at that date, but interest is payable on February 1st and August 1st, and the principal (with four months' interest) is payable December 1st, 1912. What is the value of these bonds on a 3.60 basis at that date of issue? What is their value on the same basis if purchased on December 1st, 1908?

   (Note that you are interpolating into a five-month period, not a six month, in the beginning.)

9. A wool dealer's business consists of the following transactions:

   (a) Buying and selling for his own account.

   (b) Receiving on consignment and selling for commission.

   (c) Consigning to other dealers for sale for his own account.

   All wool received, whether purchased or consigned, is charged to Merchandise account, and credited to the vendors or consignors and all wool disposed of, whether consigned or sold, is credited to Merchandise account and charged to the purchasers or consignees. The prices in the pro forma invoices of consigned goods invariably differ from prices shown in the account sales rendered to consignors or received from consignees. At the end of the year he prepares a statement treating all wool in his possession as inventory and credits Merchandise account therewith, all debit balances on account of goods sold or consigned by him as Accounts Receivable, and all credit balances on account of goods purchased or consigned to him as liabilities. The accounts are clerically, correct. You are asked to audit his

books and certify to the accuracy of his statement. How would you proceed to do this? Write a report thereon not exceeding two hundred words.

10. How would you proceed in making an audit of an estate, including principal personality and income personality, and real estate and real estate income, where the interests of the distributees include legacies to lineals and collaterals, annuities, widow's dower, life estates and estates in remainder? Give full particulars, with an illustration, supplying your own figures.

AUDITING

Saturday, June 25, 1910, from 8:30 A. M. to 12:30 P. M.

1. (a) What are the prime objects of an audit?
   (b) In commencing the audit of the accounts of a corporation, what would be your first step and what instructions might be given to the bookkeeper, showing the work that should be done before the audit commences?
   (c) What is the duty of an auditor, in relation to merchandise inventories appearing in a Balance Sheet?
   (d) Define that class of audits known as "investigations" and state the purpose for which an "investigation" is usually made.
2. (a) Would you recommend that a client have his books audited monthly, yearly, or on special occasions only? Give full reasons for your recommendation and the relative merits of each plan.
   (b) Write such a letter as would accompany your report, including a certificate such as you would ordinarily furnish to attach to a Balance Sheet after you had made an audit of the books of a company and were in a position to certify to the correctness of the Balance Sheet and Loss and Gain Statement.
3. (a) If in auditing the accounts of a Power Company you found included in with other revenues, an amount covering a charge to contractors for estimated loss on account of delay in completing new buildings or installing new machinery, would you consider it a proper entry and what would be your duty under the circumstances?

(b) In making an audit of a company you find that they have notes receivable bearing interest, some paid in advance and included in the face of the notes, others with interest accruing. Explain your handling of this interest in your report.

(c) You also learn that a customer's note has been discounted at the bank. In your report will you treat of this note or of any interest in relation to same?

4. During your audit of the books of a concern you learn that it has an authorized issue of $100,000.00 of Bonds; that $40,000.00 of these bonds have been sold at par, $10,000.00 have been sold at a premium of 10%, $30,000,00 are up as collateral to a loan on the company's note of $25,000.00, at the bank, and the balance $20,000.00 have not been disposed of. Prepare a balance sheet (supplying the other accounts and figures in a simple manner) which will include the above transactions properly handled and explained.

5. (a) State briefly the method of procedure in auditing the accounts of "Executor and Trustee" on behalf of a "Life-tenant."

6. (a) A soap company has adopted the policy of giving away premiums in connection with its sales, by means of coupons which are to be redeemed in quantities provided as per a printed list. How should these premiums be treated in preparing a Balance Sheet, Loss and Gain Statement, etc.?

(b) A milk company sells to its customers strips of tickets which are good in payment of the milk delivered to them. These tickets are paid for in advance by the customers. What accounts would you expect to find on the books and how should the entries be handled showing the transactions of the sales of tickets and the deliveries of milk?

7. (a) In presenting a complete audit report to a manufacturing concern, what, in your opinion, should be the logical arrangement of the schedules, etc., submitted?

(b) In auditing the books of a manufacturing concern, you learn that the Goods in Process have been inventoried at material and labor value only. State how to determine the amount of manufacturing expense that should have been added to properly complete the inventory.

(c) Give briefly, instructions for properly taking a complete inventory of a manufacturing concern.

8. A commission consisting of three members, A, B, and C, are sent on a special mission and on their return an expense account is turned in by the chairman, A, as follows:

Expenses—		
3 R. R. Tickets, @ $15.50	$46.50	
1 Cash Fare	15.75	
Sleeping Car	9.00	
Hotel, etc.	37.50	
To B for incidentals	15.00	
To C " "	12.00	
To A " "	9.50	$145 25
Refunds—		
1 R. R. ticket returned for redemption	15.00	
Cash returned by B	5.30	
" " " C	3.70	
" " " to balance	30.25	$ 54.75
		$200.00
Cash advanced		$200.00

Was the account correct? If not, what amount of money should A have returned? Explain fully.

9. A manufacturing concern has been operating for a period of nine months, but owing to incomplete development of the plant, the production during that period was greatly below the capacity and the cost of production consequently abnormal. The directors are anxious to obtain a statement not only showing the result of operations for the ten months, but one which would be fairly indicative of what the results would have been had conditions been normal. Assuming that the actual time lost on account of the frequent stoppages amounted in the aggregate to four months, would the auditor be justified in furnishing the latter statement as well as the former, and, if so, how would you proceed to show the desired results from the following items:

Manufacturing Materials	$150,000.00
Productive Wages	45,450.00
Miscellaneous Non-Prod. Labor	17,580.00
Salaries	10,500.00
Insurance	2,500.00
Taxes Accrued	1,150.00
General Expenses	1,875.00
Interest Accrued	3,600.00
Sales	205,752.00
Finished Goods at Cost	15,840.00

10. (a) The cashier of a firm has disappeared. What steps should be taken to investigate his accounts with the view of ascertaining if there has been a defalcation?
    (b) What are some of the most common methods of defaulting?
    (c) How are such peculations most systematically covered up in the accounts to avoid detection?

AUDITING

Saturday, June 29, 1912, from 1:30 P. M. to 5:30 P. M.

1. You are elected the auditor of a corporation by the holders of both common and preferred stock and it is your duty to safeguard the interest of both classes of stockholders. The preferred stock bears 7% and is non-cumulative. Mention what precautions you would adopt to safeguard the interests of the preferred stockholders, giving detailed reasons therefor.
2. Describe in detail the method that should be used to verify the securities representing the investments of a Company under audit, in the case of:
    (a) Real Estate.
    (b) Mortgages on Real Estate.
    (c) Certificates of Stock.
    (d) Railway Bonds.
3. (a) In making an audit, would you consider it necessary to check in detail the postings of subsidiary ledgers? Explain fully.
    (b) What is the responsibility of the accountant who undertakes to examine a going business for the purpose of issuing a certificate showing the net earnings of the business for the preceding five years to:
        1. The owners?
        2. Those investing money therein on the basis of the report?
4. In an audit stipulating for the examination of all vouchers of every description, what would be proper vouchers for the following: Purchases, Returned Purchases, Sales, Returned Sales, Cash Receipts, Cash Payments, Journal entries?
5. (a) In presenting a Certified Balance Sheet, what items are matters of fact, and
    (b) What items are opinions, and
    (c) Taken as a whole, are you establishing a fact or an opinion?

6. In making an audit of the accounts of Leslie & Porte, stock brokers, how would you verify:
   (a) The stocks and bonds owned or held as collateral for customers' accounts? (In your reply, state clearly each step in the process.)
   (b) The stocks and registered bonds in process of transfer?
   (c) In preparing their Balance Sheet, how would you determine the customers' accounts as to whether they should be classed as good, doubtful, or bad?
   (d) Write a report of not less than a hundred words covering such an audit.
7. Describe your work in connection with some recent audit upon which you have been engaged. Relate the nature of the business, answering in sufficient detail to enable the examiners to form an opinion regarding your general auditing knowledge.
8. What means should an auditor employ to determine the correctness of reserves for depreciation, bad debts and discounts, inventories of raw materials, goods in process, finished product and factory pay rolls? To what extent is he responsible for the accuracy of these items as stated in his report?
9. (a) What would you require from a firm or corporation before entering upon an audit of the books?
   (b) Name the different kinds of audits.
   (c) Describe them.
10. (a) Define your understanding of the principle involved in determining what are and what are not expenditures from capital.
    (b) Give a brief outline of the duties and responsibilities of an auditor and what special qualifications and training he should possess.

AUDITING

Friday, June 13, 1913, from 1:30 P. M. to 5:30 P. M.

1. (a) Explain the value of an outside audit for a business having a regularly employed auditor.
   (b) In making an investigation of a business for the purpose of a prospective investor, to what extent should the report deal in average earnings as distinguished from yearly serial earnings?

2. (a) Name the various methods of manipulation of funds which you have found in audits made. If you have not found any, indicate the various ways of manipulation for which you would look.

   (b) How would you verify the cash balance of a date prior to the time of audit, and in doing so what use would you make of the bank book?

3. (a) Explain the responsibility which the auditor has to his clients as regards inventories and depreciation.

   (b) How would you treat the problem of organization expenses in auditing the books of a concern at the end of the first year?

4. (a) Outline an audit which you have made during the past year in detail without naming the concern, but giving the character of the business, the system of books kept, and the method pursued in making the audit.

   (b) Write a two hundred word report of an investigation which you have supposedly made, in the which you have found a poor system of bookkeeping, indicating the points at which it is bad, and suggesting how it may be corrected.

5. In auditing a manufacturing concern, what various points should be observed as to earnings?

6. In auditing a business, you find that the market value of securities owned by it has depreciated during the year to an amount equal to the earnings of the business proper. In making your report, how would you treat that situation?

7. If you were appointed auditor of a club, such as the Fellowcraft Club, in which receipts are from dues and cafe services, what method would you prescribe for keeping the accounts so that you might be able to make a check upon the "Goods" side of the institution?

8. An ice company sells coupon books which are paid for in advance. What accounts would be required for the purpose of correctly auditing the sales and deliveries in order to determine the exact earnings at any given time?

9. What do you understand is the purpose of the Commission on Economy and Efficiency appointed by President Taft?

10. Give the arguments for and against figuring interest on a manufacturing investment as a part of the cost of production.

AUDITING

Saturday, December 27, 1913, from 1:30 P. M. to 5:30 P. M.

1. Suggest methods by which auditors' reports should safeguard prospective investors.
2. You have just been appointed a State Bank Examiner and are obliged to make your first examination alone. Explain in detail what you would do.
3. In making an audit, you find that a corporation has purchased one thousand dollars worth of its own stock for nine hundred dollars. The bookkeeper has made an entry debiting Treasury Stock for $900.00. If the entry is right, explain in detail the reason. If wrong, make the correcting entry and explain in detail why it was wrong and why yours is right.
4. In an equal partnership with three partners, one was unable to meet his share of the investment with cash and gave his note drawing interest for part. When he paid the interest, the bookkeeper credited each of the other partners for one-half of the same. He objected and the matter is referred to you at the time of audit. He claims it should have been credited to Interest and Discount account and thus have been divided between all three. Write your decision and reasons therefor.
5. Write a five hundred word outline of the Income Tax Law or the recent Currency Bill.
6. What methods have your audits revealed by which manufacturing concerns attempted to inflate profits? If you have not met any, explain how it could be done.
7. You are employed to make an audit by a stockholder who believes the management of the corporation is piling up a large secret reserve with the view of buying up the stock of the minority holders. You are given free access to the books. Explain in detail what investigations you would make to determine the truth or falsity of this belief.
8. You find that a group of accounts receivable has been assigned to secure a loan. Does that affect the value of any other creditor's claim in case of failure before the loan is paid? Should any reference to the fact be made in your report? How would you set up that fact in the Balance Sheet?

9. Outline an audit made by you this year, omitting name of concern but indicating its character. Write a report for the same indicating any condition in the office organization which you noticed which gave opportunity for fraud, with suggested remedy.

10. A manufacturing concern has been operating for a period of nine months but owing to incomplete development of the plant, the production during that period was greatly below the capacity and the cost of production consequently abnormal. The directors are anxious to obtain a statement not only showing the result of operations for the nine months, but one which would be fairly indicative of what the results would have been had conditions been normal. Assuming that the actual time lost on account of the frequent stoppages amounted in the aggregate to four months would the auditor be justified in furnishing the latter statement as well as the former, and if so, how would you proceed to show the desired results from the following items:

Mfg. Materials	$39,865.69	Taxes and Interest	$ 1,398.59
Freight	5,489.22	General Expenses	6,537.14
Productive wages	8,827.84	Sales	42,363.33
Non-Prod. labor	4,441.73	Finished goods at cost	7,346.45
Salaries	6,877.29		

AUDITING

Friday, June 26, 1914, from 8:00 A. M. to 12:00 M.

1. Write an outline of the tax laws in Michigan. Indicate the differences in the reports asked for by the state and the nation as they relate to taxes.

2. In making an audit you find that a large quantity of goods were purchased prior to the last statement and hence included in the last inventory at cost price. A change in the tariff has increased their value. The portion which has been sold since the change was sold at prices which represented an increase of $10,000.00. In the inventory just taken the goods still on hand are inventoried at present cost value which is $10,000.00 more than the original amount. What would you do about it, if anything?

3. Outline an audit made this year giving all the details as to procedure, indicating the character of the business but not giving the name of the concern.

4. The proprietor of a mercantile store asked you to prepare a set of blanks to be used by them for checking all of their delivery wagons, including the returned goods which the drivers collected. He wants to be able to trace every package. Outline such a set.

5. Name the different kinds of persons who would have an interest in audit reports prepared for a corporation, indicate what the interest is, and show the responsibility of the auditor to each class.

6. A concern has an authorized issue of bonds to the amount of $100,000.00. $40,000.00 are sold at par, $10,000.00 are sold at ten per cent premium, $30,000.00 are put up as collateral to a $25,000.00 loan at the bank, $20,000.00 are on hand. Prepare a balance sheet showing the above transactions, supplying the other needed accounts.

7. A and B are partners sharing losses and gains equally; A invested $3,000, B invested $4,000. They are ready to wind up the business. The firm owes $5,000, of which $1,000 is due A and $500 is due B. They have $7,000 in cash. Prepare the accounts showing the closing.

8. Write a formal report for an audit supposed to have been made for a house in which you found a bad cost system. Indicate the errors and how they should be corrected.

9. A man invests $2,000 in 3% stock at 75, and $4,750 in 4% stock at 95. He keeps them both five years and sells the first at 70 and the second at 98. What rate of interest has he received on his investment and how has his capital account changed? Present the work for same.

10. Name conditions under which expenditures from capital may be permitted. How would you verify securities, inventories, reserves for bad debts?

AUDITING

Thursday, December 24, 1914, from 1:00 P. M. to 5:00 P. M.

1. A concern has established a sinking fund for the retirement of a mortgage. An investment has been made in bonds the present market value of which is below cost. Would you inventory them at market value or at book value? Why?
2. A Mutual Insurance Company began business by the Directors signing a Guaranty Agreement of $100,000. They did not put up any securities but only lent their names to the agreement. The agreement specified that they should be paid 6 per cent interest for the use of their names, in accordance with the amounts subscribed. Would you pass a voucher for this interest without comment? Give reasons for answer.
3. You begin an audit of books January 14th for the period ending December 31st previous. Explain in detail how you would verify the cash balance of that date.
4. Explain some fraudulent methods you have discovered in an audit and indicate changes in bookkeeping you would advise to prevent repetition. If you have never found any, name those for which you usually look and the lines of approach you take.
5. Outline an audit made this year, indicating the character of the business, but not its name. Name books and special forms used, explain use and in written report indicate any changes needed to secure a saving in time spent in bookkeeping.
6. Explain in full your method of arriving at a correct allowance for bad debts.
7. How would you determine whether expenditures in a manufacturing concern were in the nature of maintenance and repairs or constituted an actual betterment? By illustrations indicate how they would be treated in the Balance Sheet and in the Loss and Gain Statement under each division.
8. How can you determine whether all liabilities have been entered in the books?
9. A corporation has a controlling account in the general ledger for accounts receivable. The balance of the controlling account is $80,000. The debit balances of the individual accounts total

$100,000 and the credit balances total $20,000. Is a statement correct which uses the controlling account balance as an asset? If not, what would you do? Give reasons.

10. In a large country store containing several departments, produce is purchased by the grocery department and paid for with orders on the other departments. How would they be treated in determining the profit and loss of the several departments?

AUDITING

Saturday, June 19, 1915, from 1:00 P. M. to 5:00 P. M.

1. In auditing the accounts of an executor what points should be especially examined?
2. You are to prepare a consolidated balance sheet for a holding company and two subsidiary companies in which the entire stock of one company has been acquired below par, and the entire stock of the other company at a premium. How would you handle such premium and discount in your balance sheet? Use figures for the purpose of illustration.
3. (a) How would you prove the accuracy of a Bills Payable account and any contingent liability on Bills Receivable discounted?

   (b) How would you determine whether all of the debts of a concern are accounted for?
4. Outline an audit made by you this year, indicating the character of business, system of books used and method of procedure in making the audit.
5. What points in an audit are of special interest as regards a corporation with preferred and common stock? Does it make any difference whether the preferred stock is cumulative or non-cumulative?
6. If employed by the officers of a corporation to make an audit would you make any difference in your plans and in your report if you knew whether the audit was to be presented to a prospective customer of the stock, to a prospective purchaser of bonds, to the bank as a basis for the purpose of securing a loan, or to the stockholders at their regular annual meeting. If so, state the differences.

7. The State Commission is about to determine whether the Telephone Company is entitled to an increased rate for service rendered. You have been employed to make an examination of the books of the company on behalf of the Commission. What information would you endeavor to secure and present to them?
8. A manufacturing company issued $200,000 worth of bonds. One-half of them were sold at 90 and the proceeds placed in the building fund. One-half were transferred to a construction company at par, the construction company to sell them at whatever price they could get, but presumably they would yield 90. They issued $300,000 worth of preferred stock, and $500,000 worth of common stock. The preferred stock sold at 85, and one share of the common stock was given with every share of preferred stock. The balance of the stock was sold at 50. Make the entries.
9. Is depreciation an element in the cost of manufacturing? Give arguments for and against if there are any on both sides of the question. Use fictitious entries for all propositions stated.
10. You have been employed by a large advertiser to determine the validity of the circulation claims of a magazine, and have been given access to the books kept by the owners of the magazine. Explain your method of attack.

COMMERCIAL LAW

MICHIGAN STATE BOARD OF ACCOUNTANCY

EXAMINATION

for the degree of

CERTIFIED PUBLIC ACCOUNTANT

Detroit, July 27-28, 1906

COMMERCIAL LAW

Friday, July 27, 1906, from 8:00 A. M. to 12:00 M.

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75 credits necessary to pass, out of a possible 100 credits.

Each complete answer will receive 10 credits. Do not repeat questions on examination papers but write answers only, designating the questions by number. The intelligence indicated by answers will be considered in marking the applicants, as well as the technical accuracy of such answers.

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1. What is a contract? (a) Can a contract ever be implied? (b) Can a valid verbal contract be made where the consideration, if any, is merely one promise for another?
2. What is the effect of an endorsement, "without recourse," on a promissory note? (a) Is the endorser of a promissory note relieved from liability where the holder has failed to notify him of the time it became due and the default of payment by the maker?
3. What is a corporation? (a) How does it differ from a partnership? (b) How does it differ from a stock company?
4. What is the meaning of the word "Stock" in reference to a corporation? (a) What does it represent? (b) How is it transferred? (c) What rights have stockholders in and to the corporate property?
5. What is a receiver? (a) What is his first duty on taking possession of property or trust funds committed to his care?

6. What is a trustee in bankruptcy? (a) How appointed and what are his duties?
7. How much must a debtor owe to enable his creditors to force him into bankruptcy? (a) Is it necessary that he should have committed an act of bankruptcy? (b) State briefly what is meant by acts of bankruptcy. (c) What is meant by a composition with creditors, and the effect thereof?
8. What are some of the principal features of the Statute of Frauds?
9. What is your understanding of the statute of limitations?
10. A general agent of a corporation, for the accommodation of a personal friend endorsed his friend's note, as general agent of the corporation, before it was endorsed by the payee. Is the corporation liable for the payment of the note? (a) Give reason.

COMMERCIAL LAW

Saturday, December 22, 1906, from 8:00 A. M. to 12:00 M.

1. Give the requisites of a valid contract.
2. What is the difference between:
   - A. An *executory* and an *executed* contract?
   - B. An *express* and an *implied* contract?
   - C. A *void* and a *voidable* contract?
3. Define a corporation.
   - A. How are corporations created?
   - B. By what are their powers determined?
   - C. How do they act and how may they be dissolved?
   - D. May the directors convey the property of the corporation to themselves?
4. Has Michigan a negotiable instruments law?
   - A. What is the purpose of such a law?
5. Give the essential requisites of a negotiable instrument.
   - A. What words make a note negotiable?
6. Under what circumstances would a purchaser of a negotiable instrument acquire greater rights under it than the vendor had?
7. Who is an accommodation party?

8. Who may become bankrupt?
   A. What is the difference between *voluntary* and *involuntary* bankrupts?
   B. May a corporation become a voluntary bankrupt?
   C. May a partnership become a voluntary bankrupt?
9. What courts have jurisdiction over bankruptcy cases?
10. To what extent can the acts of one partner bind the other partner?
    A. How may partnerships be dissolved?

COMMERCIAL LAW

Saturday, November 2, 1907, from 8:00 A. M. to 12:00 M.

1. What are the requirements of a negotiable instrument?
2. A. When is a negotiable instrument payable on demand?
   B. When payable to order?
   C. When payable to bearer?
3. A. How are negotiable instruments negotiated?
   B. What is notice of dishonor?
4. What are assignments for benefit of creditors?
   A. When are they void?
   B. What is the effect of assignment?
   C. What should an inventory of assignment contain?
   D. Are there any preferred creditors in a general assignment?
   E. What is the difference between an assignment for benefit of creditors and a composition of creditors?
5. What are the essentials of a valid contract?
   A. Give example of an express contract.
   B. Give example of an implied contract.
   C. What is the difference between a void and a voidable contract and illustrate?
6. A. Has Michigan a negotiable instruments law?
   B. What are the advantages of a uniform negotiable instruments law in the various states?

7. What are the limitations of actions:
   A. On an account stated?
   B. On a promissory note?
   C. On a judgment in Justice Court?
   D. On a judgment in Circuit Court?
8. A. In how many ways may a person become a bankrupt?
   B. A corporation?
   C. Who has charge of the property of a bankrupt, and what are their duties?
9. What is a corporation?
   A. How are certificates of stock of a corporation transferred?
   B. What action, if any, is necessary to transfer real estate of a corporation?
10. A. Give your understanding of what is known as the Statute of Frauds.
    B. How may merchandise in bulk be sold and transferred?

COMMERCIAL LAW

Saturday, June 27, 1908, from 8:30 A. M. to 12:30 P. M.

1. Define a contract.
   (b) Classify contracts as to grade.
   (c) What is a condition precedent in the law of contracts?
   (d) What is a condition subsequent?
   (e) What is the advantage of a formal contract?
2. Give a brief account of the law merchant, with reference as to what it is and a brief history.
3. State the distinction between business paper and accommodation paper.
   (b) When does commercial paper obtain legal inception?
4. What is a contract of indorsement?
   (b) Name and give examples of the different kinds of indorsement.
5. What is the liability of each party to a certified check? Give reasons for your answer.
   (b) What is the effect of an alteration of a negotiable instrument?

6. How is a corporation created in Michigan?
   (b) What must the articles of association set forth?
   (c) Who must sign and acknowledge the articles?
   (d) What portion of capital stock must be paid in cash on the day of executing and filing the articles?
   (e) How much of the authorized capital stock must be paid in cash?
7. How may a corporation be dissolved?
   (b) What will effect the forfeiture of a corporation charter?
8. Define agency.
   (b) Name the classes of agents.
   (c) Does a note made payable at the Home Savings Bank make the bank the agent of the owner?
   (d) Name the requisites of agency.
9. Define a partnership.
   (b) What is the difference between an ordinary partnership and a limited partnership?
   (c) Tell what you know about a limited partnership.
   (d) In what ways may a partnership be formed?
   (e) In ordinary partnerships to what extent may one partner bind the firm:
      (1) As to making sales?
      (2) As to incurring debts?
10. What is the object of a bankrupt law?
   (b) What courts have jurisdiction in bankruptcy cases and why?
   (c) In what way may a corporation become bankrupt?

COMMERCIAL LAW

Saturday, July 24, 1909, from 8:00 A. M. to 12 M.

1. (a) What are the advantages of bankruptcy laws?
   (b) What are the exceptions to the rule that on the bankruptcy of a firm, and of an individual member of that firm, the joint and separate creditors cannot prove in competition with one another?

2. (a) Has the master of a ship the power to bind the owner when he signs a Bill of Lading and the goods are not yet on board? Give reason for your answer.
   (b) What is the difference between "registry" and "enrollment" in the law of shipping?
3. (a) Name and define the three (3) most important forms of guaranty.
   (b) Is a guaranty negotiable? State reason for answer.
4. (a) In what proportion to the actual paid up capital of a Michigan corporation may preferred stock be issued?
   (b) What must be expressed on the face of preferred stock certificates as regards their redemption, etc.?
   (c) When cumulative dividends are permitted, what is the maximum rate per cent. per annum?
   (d) Does the preferred stock vote the same as the common stock?
   (e) Under what conditions would preferred stock have equal rights with the common stock in the control of a corporation?
5. In what three (3) ways may an employee seek redress for an employer's improper breach of contract for a fixed salary payable at regular intervals?
6. (a) Distinguish the difference between an open and stated account.
   (b) To what extent is an account stated conclusive?
   (c) Does the mere rendering of an account make it an account stated?
   (d) On what grounds may an account stated be opened?
7. (a) What is a contract?
   (b) How is a contract made?
   (c) What are some kinds of contracts that must be under seal?
   (d) Which contracts if made on Sunday are void, and which are not void?
   (e) Give examples of contracts which are illegal at common law.
   (f) Draw up a contract in legal form between a Company and a Branch House Manager, covering the period of employment, salary, the various duties, and other terms, etc., in accordance with the following information: Salary $5,000.00 per annum, payable semi-monthly, the Company agreeing to allow the Manager a one per cent. commission

as additional compensation at the end of the year on all net business handled through the Branch in excess of $500,000.00. Further, if the expense of joint business at the Branch shall be less than 10% of the gross sales, then the Manager is to receive one-third of such saving in the expense of operating. This agreement may be terminated at any time upon written notice being properly served. This is not to be an agency arrangement. An arbitration clause in case of a dispute in settlement, and any other provisions that you may deem necessary to fully protect both the Company's and Manager's interests should be included.

8. (a) What is a Patent?
   (b) What is a Copyright?
   (c) What is a Trade Mark?
   (d) How are they each obtained?
   (e) What is necessary in their assignment?
   (f) Were "trade-marks" known to the common law?
   (g) How do they differ from Patents and Copyrights in this respect?
   (h) How may a Patent-right be lost?
   (i) What is a "disclaimer" and a "caveat"?

9. (a) What is meant by the "doctrine of contribution"?
   (b) Explain the doctrine of exoneration?

10. (a) How is a partnership formed?
    (b) Who is a nominal, a secret, a dormant, or an ostensible partner?
    (c) Can the firm of A & B sue the firm of A & C, there having been business dealings between the two firms?
    (d) How may a partnership be terminated?

COMMERCIAL LAW

Friday, June 24, 1910, from 8:30 A. M. to 12:30 P. M.

1. (a) A company hires a number of men, each one separately, by the week, at a certain amount of wages per day. It is the rule to make up the pay-roll and pay every Saturday. Now it happens frequently that one or more of the men quit work before the end of the week or in the middle of the day and demand their pay then and there. To avoid

greater trouble the company has acceded to these requests greatly to the disturbance of the routine of the business. Is the company obliged to pay these men whenever it suits them to leave, or may payment be put off till pay day? Explain fully.

(b) An employee is hired for a term of three months at a salary payable monthly. No new contract is made at the end of that time, but the employee continues in the service as before. This has gone on for nearly a month. The employer says he is no longer in need of the services of the employee. What are the latter's rights?

(c) In the cash drawer of a corporation you find a week's wages of one of the employees with the notation on the envelope "Garnisheed."

(1) To whom does this money belong?
(2) Explain what this notation "garnisheed" means.
(3) What action does the corporation take in the matter of this garnishee?
(4) To whom does the "garnishee fee" belong?

2. (a) What is meant by the phrase "Commercial Paper?"
(b) What is meant by the phrase "Negotiable Paper?"
(c) What is meant by "Accommodation Paper?"
(d) What is the legal rate of interest in Michigan?
(e) Paper falling due on Saturday is payable when?
(f) Is paper money Commercial Paper?
(g) What advantages do negotiable instruments have over money for commercial uses?

3. (a) If a man stops payment of a check at the bank, and the bank overlooks the fact and pays said check, who loses it?
(b) What is an "account stated?"
(c) Is a writing up of a depositor's bank pass book an account stated?.
(d) On June 15, about 2 P. M., I deposited with a bank and received credit therefor a check on a bank in Massachusetts. On the following day (16th) my bank sent the check to its correspondent who in turn forwarded it to Massachusetts, where it was not presented until the 19th and was then protested, the drawer having failed and assigned on the 18th. Have I not a case against my bank for lack of due diligence in holding check back one day? Explain.

4. (a) A is indebted to B for three bills, and tenders a check for a certain amount in payment of all the bills. There is a difference in their respective accounts. B accepts this check and claims the difference from A, whereupon A claims that the check was made payable to B in full settlement of all the bills and calls attention to the fact that his check read that way. Does this relieve A of the difference?

   (b) If a bank accepts as collateral on a loan, indorsed commercial paper maturing before the loan, there being no agreement as to the collection of the collateral notes, what are the bank's rights, and what is its duty as to presentation of the collateral and its protest, if not paid?

5. (a) A customer buys a bill of goods from A. When the bill becomes due, he pays by check, the same being made out to A's order. A happens to be out of town at the time and his bookkeeper steals the check, forges A's endorsement and also endorses it, and goes to a friend and has it cashed. This man gives it in payment of merchandise to another house, who in turn deposits it in the bank. Who is liable for the amount paid?

   (b) Can a note secured by collaterals, payable on a specified day, be paid sooner without the consent of the payee?

6. (a) Differentiate between "good" and "valuable" consideration. Need the consideration for a contract be both good and valuable?

   (b) What is the purpose of the bankruptcy law?

   (c) Has each state a bankruptcy law?

   (d) How many kinds of bankruptcy are there?

   (e) May a corporation be a voluntary bankrupt?

   (f) Does a discharge operate to release the bankrupt from all of his debts?

7. (a) In what ways may a partnership be dissolved?

   (b) Has a president, vice-president and secretary-treasurer, three officers holding two-thirds of the stock of a corporation doing a business of $70,000 per annum, the right to vote themselves $2,400 per year each as salary, when the secretary-treasurer only calls at the factory every two weeks, to sign checks, and the president and vice-president only meet twice a year, and the company pays no dividends to the stockholders? Explain.

8. (a) A sells some railway stock to B, who fails to have the certificate, which has been signed in blank on the back, replaced by a new one. A dividend is declared to stockholders of record, and the check is sent to A. Who is legally entitled to the dividend? Explain.

9. (a) A carries a stock of merchandise of the cash value of $10,000.00, and insures it under the 80 per cent co-insurance clause. A rider attached to the policy states: "In case of loss the Company pays that proportion which the amount of this policy bears to 80 per cent of the cash value of property destroyed."
   (b) If the loss is total, what does the Company pay?
   (c) If it is a partial loss only, what does the Company pay according to the contract? Explain fully.

10. (a) What is your opinion as to whether a claim can be made on the transportation company for the loss of goods evidently stolen from the case while in their possession? Here are the facts: "A" shipped a clock company in New York City a case of clocks by a freight line. They received it in apparently good order and receipted for it accordingly. On checking off the contents several clocks were missing. The box had evidently been opened, the clocks abstracted, and closed up again. The railroad having taken receipt as "in good order," disclaim any responsibility. Has "A" any redress?
    (b) "A" contracts with "B" for the building of a house. "B" promises to complete it in one year. If completed in one year and a day can "A" claim breach of contract? Explain.

COMMERCIAL LAW

Saturday, June 29th, 1912, from 8:30 A. M. to 12:30 P. M.

Answer ten (10) complete questions but no more. Answers in excess of the number required will not be considered.

1. (a) Define commercial law.
   (b) Define statutes.
   (c) What are the general divisions of law?

2. (a) What is meant by the Statute of Frauds?
   (b) Does the Statute serve any useful purpose at the present time?

3. (a) Give an example of a business transaction which constitutes a contract?
   (b) What are the elements of a contract?
4. (a) Can contracts be made by letter and telegraph?
   (b) Does a revocation by wire or letter have to be received to be effective?
   (c) Does an acceptance by wire or letter have to be received by the offerer to constitute a valid acceptance?
5. (a) What makes a contract illegal?
   (b) Give an example of an illegal contract.
   (c) What is meant by a conflict of law?
6. (a) Define warranty.
   (b) Define bankruptcy.
   (c) Enumerate acts of bankruptcy.
   (d) Define agency.
   (e) Explain termination of agency by operation of law.
7. (a) In Michigan what is the legal rate of interest?
   (b) What is the highest interest rate that may be agreed upon in Michigan?
8. (a) Define partnership.
   (b) Define survivorship.
   (c) What is a corporation?
   (d) What is the franchise of a corporation?
   (e) Classify corporations.
9. (a) Is a consolidated corporation liable for the debts of its component corporations?
   (b) Define and give an example of watered stock.
   (c) May a stockholder force the corporation to pay a dividend?
10. (a) What is a negotiable instrument?
    (b) What are Registered bonds?
    (c) What are coupon bonds?
    (d) Distinguish the difference between foreign bills of exchange and inland bills of exchange.
    (e) What are the two essential features of a bill of lading?
11. (a) What is the purpose of a trade-mark?
    (b) What length of time is required to obtain a valid trade-mark?
    (c) Who may register trade-marks?
    (d) When may they be registered?
12. (a) Define a will.
    (b) What are the common statutory requirements of a will?

13. (a) Classify Federal Courts.
    (b) Does the United States Circuit Court of Appeals have any original jurisdiction?
    (c) By what authority are state courts established?

14. In a certain stock corporation only 50% of the subscribed capital has been called. Mr. Van Oss has paid all the installments called and has loaned to the company an additional sum, for which he has taken its promissory note, and has transferred the note to Mr. Lyon, who demands payment. May the company call further installments on Mr. Van Oss' stock, and offset the amount so called against the promissory note held by Mr. Lyon? Explain in detail your answer.

15. (a) Explain the distinction between surcharging an account and falsifying an account.
    (b) What is the purpose of the Corporation Tax Law of 1909?
    (c) What is required of corporations by its various provisions?

COMMERCIAL LAW

Thursday, June 12, 1913, from 8:00 A. M. to 12:00 M.

1. Give the essential differences between a private corporation and a co-partnership.
2. Wherein does an ordinary co-partnership differ from a partnership association limited?
3. Can a married woman become the business partner of her husband or of any other person under the laws of Michigan, so as to render her liable for partnership debts?
4. If a promissory note is given by a husband and wife in payment of property purchased by them for their joint use, can the wife be made individually liable on the note?
5. If you were auditing the books of a private corporation and you found that the treasurer's bond was signed by a marriel woman as one of the sureties and that she had qualified under oath on the bond as owning the requisite amount of property in her own name, what reference or recommendation, if any, would you make in your report in reference to this bond?
6. What are the essential differences between a municipal corporation and a public utility corporation?

7. In transferring a stock of merchandise in Michigan by bill of sale or otherwise, name some of the provisions of the so-called "Bulk Sales Law" which must be complied with.
8. Is it necessary to protest a promissory note made in Michigan and payable in Michigan in order to hold the endorsers liable?
9. If a promissory note in Michigan specifies that it shall draw interest but does not specify the rate, what rate of interest should be computed on the note?
10. Compute the interest due on each of the following notes at maturity, assuming that no interest has been paid on either:
    1. $1000.00 Detroit, Michigan, June 12, 1913.
    Two years after date I promise to pay to the order of Richard Roe One Thousand Dollars with interest at the rate of six per cent. per annum. JOHN DOE.
    2. $1000.00 Detroit, Michigan, June 12, 1913.
    Two years after date I promise to pay to the order of Richard Roe One Thousand Dollars with interest at the rate of six per cent per annum, payable annually. JOHN DOE.
11. If a promissory note is given on July 4th in payment of goods purchased and delivered on the same day, would the fact that the transaction occurred on a legal holiday affect the legality of the note?
12. If a promissory note is signed on the 1st day of the week in payment of goods purchased and delivered on Sunday, will the fact that the transaction occurred on the Sabbath affect the legality of the note?
13. If a contract is usurious on its face will the debtor be relieved from the obligation to pay the principal and interest? State what he will be obliged to pay, if anything.
14. If a forged promissory note gets into the hands of a bona fide purchaser for value and without notice, can he enforce payment against the party whose name is forged?
15. What are the two principal reasons why deeds, mortgages and other instruments affecting the title to real estate should be recorded with the Register of Deeds?
16. If you were auditing the books of a mercantile company and you found that they were extending credit to their customers and taking security in the form of a bill of sale on personal property, what recommendation, if any, would you make in your report as to the validity and wisdom of this form of security, and what would you recommend as a substitute and why?

17. John Doe gives Richard Roe the following in payment for goods sold and delivered, viz:

$500.00 Detroit, Michigan, June 12, 1913.

Sixty days after date I promise to pay to Richard Roe Five Hundred Dollars with Interest at 6% per annum. Value received. JOHN DOE.

Before maturity Roe sells the above instrument for value to John Smith. As evidence of the transfer Roe signs his name across the back of the paper 'Richard Roe." It is not paid at maturity. Can Smith recover against Richard Roe on his endorsement? If not, why not?

18. John Doe and Richard Roe have a mutual open account and at the end of their dealings they have a settlement and in such settlement it is found that Doe owes Roe $100.00 which he pays, taking a receipt in full. A week later later Roe finds that by mutual mistake an item of $50.00 in his favor was overlooked in the settlement. Can Roe after giving a receipt in full recover of Doe the $50.00 which was overlooked by mutual mistake? Give reasons.

19. Jones owes Smith $500.00 on open account for goods sold and delivered. He also owes Smith $1,000.00 for money borrowed, this latter debt being represented by a promissory note. The note lacks one day of being outlawed. Jones pays Smith $200.00 in cash on his debt and asks that it be applied on the open account. Can Smith ignore this request and apply the $200.00 on the note so as to save it from the statute of limitations?

20. Jones sells and delivers to Smith an automobile under a written contract reserving title in Jones until the car is fully paid for. The sale is made in good faith but the contract is not filed nor recorded. Doe purchases the car of Smith for value in good faith and without notice of the title contract. Does Doe get any title as against Smith? If not, give reasons.

21. Can A make a binding agreement to purchase of B goods for $45.00 without one of the following:

(a) Written agreement or memorandum signed, or
(b) Part payment, or
(c) Delivery in whole or in part.

Would the rule be any different if the contract price was $50.00 or upwards?

22. Give an illustration of a debt or claim that is not dischargeable in bankruptcy.

23. If a chattel mortgage is given by a debtor while he is insolvent as a security for a past indebtedness and 100 days after giving the mortgage he is adjudicated bankrupt, is the mortgage good as to the debtor's exemption of $250.00? Is the mortgage good against the remaining creditors?

24. What legal effect does the death of a co-partner have on the life of the co-partnership?

25. In auditing the books of a corporation you obtained conclusive evidence that an officer of the company had criminally embezzled $2000.00 of the funds of that company. When confronted with the evidence of his guilt the defaulter promised to you and your client that he would repay the $2000.00 forthwith if you promised him immunity from criminal prosecution. Assuming that the defaulter is uncollectible, would you recommend that your client promise him immunity in order to recover the $2000.00? Give reasons.

COMMERCIAL LAW

Saturday, December 27, 1913, from 8:30 A. M. to 12:30 P. M.

1. Under Act 165 of 1911, Bills of Lading issued by Common Carriers must be uniform. Under this law:
   (a) When is a Bill of Lading negotiable?
   (b) When is a Bill of Lading non-negotiable or what is known as a straight Bill of Lading?
   (c) This law requires every Bill of Lading to contain seven essential facts. Name as many of them as you can.
2. Under Act 303 of 1909, provision is made for uniform warehouse receipts. Under this law:
   (a) What are some of the facts which must be embodied in every warehouse receipt?
   (b) Give an illustration of a non-negotiable warehouse receipt.
   (c) Give an illustration of a negotiable warehouse receipt.
   (d) When a negotiable warehouse receipt is transferred, what effect does it have upon the title of the property represented by the warehouse receipt?

3. Under Act 100 of 1913, the law of sales of goods is made uniform. Under this law:
   (a) What contracts for the sale of goods are valid without any writing and without any part payment and without delivery?
   (b) What contracts must be evidenced either by writing or by part payment or by delivery in order to render them valid?
4. Jones is assessed Five Hundred Dollars on personal property owned by him which taxes are unpaid. He also obtained credit at a bank by falsely representing the amount of property he owned and he now owes the bank One Thousand Dollars, which was loaned to him, relying on such representation. He also appropriated to his own use, money which he held as guardian of a minor. Subsequently he filed his petition in bankruptcy and in due course of time obtained his discharge. Will his discharge operate as a bar or discharge of any of the above debts or obligations? In other words, can the above obligations be enforced against him after he obtains his discharge, if he subsequently acquires property?
5. Under Act 223 of 1905, the sale or transfer of stocks of goods, merchandise and fixtures in bulk is regulated. Under this law:
   (a) State some of the things that must be done to make a sale of a stock of merchandise in bulk legal in a case where the vendor has debts and the creditors object.
   (b) What is the effect of a sale of a stock of goods without complying with this law?
6. Under the Income Tax Law recently enacted by Congress:
   (a) What tax must an unmarried man pay the Federal Government on a net income of Forty-five Hundred Dollars per year?
   (b) What tax must a married man pay on a net income of Five Thousand Dollars per year?
   (c) Does the Income Tax Law apply to corporations as well as to individuals?
   (d) Is a partnership as such, required to pay an income tax under this law?
7. A married woman in Michigan signs articles of co-partnership; the other two co-partners each contribute a like amount but they have no property except what they have contributed to the business; the married woman has other property in her own name outside of the business; the co-partnership becomes insolvent. On the above facts:

(a) After the assets of the firm have been exhausted in paying partnership debts, can the creditors hold the married woman liable for the residue of debts of the firm?

(b) Can a married woman legally become the business co-partner of her husband or of any other person in Michigan?

(c) What recommendation, if any, would you make in your report if you were auditing the books of a co-partnership, where one of the members of the firm was a married woman?

8. If you were auditing the books of any mercantile institution and you found that they were extending credit to customers on notes signed by the purchaser and endorsed by married women, what recommendation, if any, would you make in your report, in regard to the validity of such endorsements?

9. (a) What is the legal rate of interest in Michigan, meaning what rate of interest would be computed upon an instrument which called for interest but did not specify the rate?

(b) What is the contract rate of interest in Michigan, meaning what is the maximum rate that can be provided for in a contract without being usurious?

10. Jones gives Doe his note for One Thousand Dollars, payable in one year, with interest at the rate of nine per cent per annum. How much can Doe collect at maturity?

11. Jones gives Doe his note for One Thousand Dollars, payable in two years with interest at the rate of six per cent per annum. He also gives Doe his note for One Thousand Dollars, payable in two years with interest at the rate of six per cent per annum, payable annually. Assuming no interest is paid on either of the notes until maturity:

(a) How much interest will be due on the first note at maturity?

(b) How much interest will be due on the second note at maturity?

12. Under Act 101 of 1907, it was made unlawful for any person or persons to carry on business in this state under an assumed or fictitious name without first filing with the County Clerk a certificate, setting forth certain facts. Under this law:

(a) What are some of the facts that must be set forth in this certificate?

(b) What is the purpose of this law?

(c) What would be the effect in case a person or firm carried on business under an assumed or fictitious name without complying with the law?

(d) If you were auditing the books of an individual or co-partnership which had not complied with this law, what recommendation, if any, would you make in your report?

13. Under Act 164 of 1913, all co-partnerships doing business in Michigan, must file a certificate with the County Clerk, setting forth certain information. Under this law:
   (a) What are some of the facts that must be set forth in the certificate?
   (b) What is the purpose of this law?
   (c) What would be the effect of a co-partnership doing business in Michigan without complying with the law?

14. Under Act 265 of 1905, the law relating to negotiable instruments is made uniform in Michigan.
   (a) What is a negotiable instrument?
   (b) What is the meaning and effect of the words "Without Recourse" in connection with an endorsement upon a promissory note?

15. Under the Negotiable Instrument Law:
   (a) If there is a conflict between the written and printed provisions in a note, which one controls?
   (b) Where there is a discrepancy between the words and figures in a note, which one controls?
   (c) Where a note provides that it is payable out of a certain and particular fund, is it negotiable?

16. If you were auditing the books of a mercantile institution and you found that they were taking notes which provided that payment was to be made out of a particular fund, what recommendation, if any, would you make in your report?

17. Under the Negotiable Instrument Law:
   (a) If a note is made and delivered on Sunday, is it valid? Give reasons.
   (b) If it is made and delivered on a legal holiday, is it valid? Give reasons.
   (c) Are the words, "Value Received," legally necessary in a promissory note?

18. Under the Negotiable Instrument Law, does ante-dating or post-dating invalidate an instrument:
   (a) Where it is done for an innocent purpose? Give reasons.
   (b) Where it is done for a fraudulent purpose? Give reasons.

19. Under the Negotiable Instrument Law:
    (a) Under what circumstances may an agent legally sign his principal's name to a note and make it binding?
    (b) Is it necessary that the agent have written authority?
20. In auditing the books of a client, you obtained convincing evidence that an employee of the company had criminally appropriated to his own use some of the funds of the company and when he was apprised that the evidence of his guilt was in the possession of you and his employer, he promised that he would repay the shortage with interest if you and his employer would promise him immunity from criminal prosecution. Assuming that the defaulter is uncollectable, would you advise your client to promise him immunity in order to recover the money? Give your reasons.

COMMERCIAL LAW

Saturday, June 27, 1914, from 8:00 A. M. to 12:00 M.

1. (a) What is the difference between an express contract and an implied contract?
   (b) What persons are not capable of contracting?
2. (a) To what extent may a married woman make valid contracts in Michigan?
   (b) Is the validity of a contract governed by the law of the state where the contract is made, or the law of the state where it is to be enforced?
3. What are the rules for the appropriation of payments made by a person who owes several debts to the same creditor?
4. (a) What is the purpose of the Bulk Sales Law, being Act 223 of 1905 regulating the transfer of stocks of goods, merchandise and fixtures in bulk?
   (b) What remedy has the creditor where the debtor transfers his stock in bulk without complying with the law?
   (c) Can the purchaser of a stock claim immunity on the ground that he bought the goods in good faith for value and did not know of the existence of the Bulk Sales Law?
5. Where personal property of the value of $100.00 or upwards is sold, what are the three elements specified in the Statute of Frauds, the doing of any of which will make the sale valid?

6. (a) What is meant by negotiability?
   (b) What is the difference between foreign and inland bills of exchange?
   (c) Do inland bills of exchange have to be protested in Michigan?
7. Are the words "Value Received" essential to the validity of a note or bill?
8. (a) Define an endorsement in blank.
   (b) Define an endorsement in full.
   (c) Define an endorsement without recourse.
   (d) Define a restrictive endorsement.
9. What is usury and what is its effect upon contracts in Michigan?
10. (a) Is the individual property of a co-partner liable for co-partnership debts?
    (b) Can a husband and wife become partners in Michigan?
    (c) Can a co-partnership hold real estate in its firm name?
11. (a) Name some of the provisions which should be contained in all articles of co-partnership.
    (b) What is meant by the good will of a partnership?
12. (a) What is the legal status of a contract made on Sunday?
    (b) What is the legal status of a contract made on a legal holiday?
13. What debts are not dischargeable in bankruptcy?
14. (a) In what way must a legal tender be made?
    (b) What effect does it have upon the debt if not accepted?
15. (a) What real estate can a householder claim as exempt from execution in Michigan?
    (b) What personal property can he claim as exempt from execution in Michigan?
16. (a) Under the Michigan Mortgage Tax Law (Act 91 of 1911) what tax would the mortgagee have to pay on a mortgage of $350.00?
    (b) Would the tax vary in the case of a mortgage maturing in six months and another of like amount maturing in five years?
17. (a) Where land is sold on land contract, to whom is the land assessed and who pays the taxes on the land?
    (b) Who pays the taxes on the interest of the vendor in the contract?
    (c) Would the interest of the vendor in such a land contract be subject to taxation under the Mortgage Tax Law or under the "advalorem system?"

18. Explain the difference between an executor and an administrator.

19. (a) What is the legal rate of interest in Michigan, meaning the rate of interest which would be computed upon an instrument which called for interest but did not specify the rate?
    (b) What is the contract rate of interest in Michigan, meaning what is the maximum rate that can be provided for in a contract without being usurious?

20. If you were auditing the books of a mercantile institution and you found that they were taking notes which provided that payment was to be made out of a particular fund, what recommendation, if any, would you make in your report?

COMMERCIAL LAW

Wednesday, December 23, 1914, from 1:30 P. M. to 5:30 P. M.

1. What are the duties of a city comptroller or city controller?

2. (a) Under the new Revenue Tax Law which became effective December 1, 1914, name the different instruments upon which a revenue stamp must be affixed.
    (b) What is the effect of a failure to place a revenue stamp on a document which is subject to the tax?
    (c) Where a bank had a capital of $100,000.00, a surplus of $50,000.00 and undivided profits of $25,000.00,, what tax would it be required to pay under this law?
    (d) What tax, if any, would be imposed under this law on a renewal note of $140.00?
    (e) A real estate mortgage is given to secure the payment of a note of $1000.00. What stamp tax, if any, is required on the note and mortgage?
    (f) What tax, if any, is imposed by this law on a deed of lands wherein the consideration is $90.00?
    (g) Who is primarily liable for the payment of the stamp tax, the man who issues the paper or the man to whom the paper or document is delivered?
    (h) When does this Revenue Tax Law expire by limitation?

3. (a) What are the essential differences between a stock plan insurance company and a mutual insurance company?

(b) What are some of the arguments in favor of insuring in a stock plan or old line company?

(c) What are some of the arguments in favor of insuring in a mutual insurance company?

(d) What are some of the objections or arguments against insuring in a mutual insurance company?

(e) What is the legal effect if the assured without the knowledge or consent of the insurer, places a mortgage upon the insured property?

(f) What is the legal effect if the insured, without the consent of the insurer, sells the property covered by the policy?

(g) Under the Michigan standard form of fire insurance policy, what is the effect if insurance is written on a building located on land not owned by the assured, where there is no endorsement on the policy indicating the want of ownership of the land?

4. (a) On January 1, 1913, Doe gives Rowe his note for $1000.00 payable in one year with interest at the rate of 6% per annum. Neither principal nor interest are paid until January 1, 1915. What amount is then due?

(b) A note is given on January 1, 1910, payable in three years with interest at the rate of 6% per annum, payable annually. Neither principal nor interest are paid until January 1, 1915. Can you compute interest on the installment of interest maturing January 1, 1914, until the note is paid?

(c) What is the Michigan rule for partial payments?

5. (a) What is usury?

(b) What is the legal rate of interest in Michigan?

(c) What is the contract rate of interest in Michigan?

(d) What is the effect in Michigan if the borrower contracts for a greater rate of interest than that allowed by law?

(e) If Doe loans Smith money on a real estate mortgage reserving interest at the rate of 7% per annum and requires Smith to pay the mortgage tax, is this contract usurious?

6. (a) A note contains a clause providing that upon default in payment of any installment or interest the whole amount shall become due. Does this clause destroy the negotiability of the note under the Negotiable Instrument Law?

(b) Is a note payable one year after the death of John Jones, negotiable?

(c) Is a note payable one year after John Jones sells his farm, negotiable?

(d) Are the words "value received" necessary in a promissory note?

(e) Can a note legally be drawn up and delivered on December 18th and ante-dated December 11th?

(f) Where the sum to be paid in a note is expressed in words and also in figures and there is a discrepancy between the two, which governs?

(g) Where the instrument provides for the payment of interest without specifying the date from which interest is to run, from what date do you compute interest?

(h) Where there is a conflict between the written and the printed provisions of an instrument, which governs?

7. (a) Can Doe sign Rowe's name to a note in such wise as to render Rowe liable, providing the latter was not present?

(b) Where John Jones signs a note "John Jones as Administrator" is Jones personally liable on the note if he had authority to sign the note as administrator? Is he personally liable if he had no authority to sign as administrator?

(c) Doe forges Rowe's name to a note; is Rowe liable on the note if it passed into the hands of a bona fide holder for value and without notice?

(d) Under what circumstances may a person become a holder in due course or bona fide holder of demand paper?

(e) Would a person be a bona fide holder of demand paper which he purchased three months after its issuance?

(f) Where a party placed his name on the back of a note before delivery to the payee, is he a joint maker or endorser?

(g) Is presentment for payment, demand and notice of non-payment still necessary in Michigan in order to hold endorsers liable?

(h) What method can a bank or other financial institution adopt so as to avoid the necessity of presentment for payment, demand and notice of non-payment?

8. (a) Where a note falls due on a legal holiday, Sunday or an election day, when must it be presented for payment?

(b) Where a note falls due on Saturday, when must it be presented for payment?

(c) Are days of grace still allowed under the laws of Michigan?

(d) Under what circumstances will an agreement between the maker and holder of a note to extend the time of payment not release the indorser?

(e) Can the drawer of a check stop payment on it by notification to the bank after it has passed out of his hands?

(f) Wherein does a certified check differ from an ordinary one?

(g) A gives his check payable to B on X bank. B sells the check to C and C takes it to the bank and has it certified. The bank fails before C cashes the check. Is A or B liable to C under those circumstances?

9. (a) To what extent can a married woman make valid contracts in Michigan?

(b) Can a married woman endorse a note and make herself personally liable?

(c) Is a married woman liable as surety on a bond?

10. (a) What are the two principal reasons why deeds, mortgages and other instruments affecting the title to real estate should be recorded with the register of deeds?

(b) What is the principal reason why a chattel mortgage should be filed with the city, village or township clerk?

11. (a) What do you understand by the Statute of Frauds as applied to the sale of personal property?

(b) If A sells B a typewriter for $90.00 without any writing or part payment or delivery, but the agreement being otherwise complete, is the contract mutually binding?

12. What debts are not dischargeable in bankruptcy?

13. (a) A and B associated themselves together in business under the name of the Detroit Mercantile Company, but failed to file the necessary certificate with the county clerk. What effect does this omission have upon the validity of contracts entered into by them?

(b) Is it necessary at the present time for all co-partnerships to file certificates with the county clerk of the county wherein they are transacting business?

(c) What is the purpose of this law and what information must be contained in the certificate?

14. (a) What is the legal status of a contract made on Sunday?

(b) What is the legal status of a contract made on a legal holiday?

15. (a) What are some of the reasons which prompted the passage of accountancy laws in the various states?

(b) In what way does the accountancy law tend to protect the public who have occasion to employ public accountants?

(c) In what way would the status of a certified public accountant giving expert testimony upon the witness stand in a matter in which he was professionally engaged, differ from that of an accountant who was not certified?

COMMERCIAL LAW

Friday, June 18, 1915, from 8:00 A. M. to 12 M.

1. (a) What legal advantages has a certified public accountant over one who is not certified?
   (b) What legal advantages, if any, would be possessed by a certified public accountant testifying as an expert, over one not so certified?

2. (a) Give the legal reason why a married woman cannot become the business partner of her husband or of any other person under the laws of Michigan so as to render her liable for partnership debts.
   (b) Give the legal reason why a married woman cannot be held liable on a promissory note signed by her and her husband or signed by her and any other person, where the consideration for the note did not all pass to her.

3. (a) Would an unmarried woman be liable as surety on a bond, or as endorser on a promissory note in all cases where, under the same circumstances, a man would be liable?
   (b) Would a married woman be liable as surety on a bond, or endorser on a promissory note?

4. (a) Give some of the essential requirements of the so-called "Bulk Sales Law," relative to a sale or transfer of a stock of merchandise.
   (b) What was the purpose of this law?
   (c) What are the consequences to the purchaser of a stock of goods in case this law is not complied with?

5. (a) Under the Uniform Negotiable Instrument Law is it necessary to give an endorser notice of dishonor or non-payment of a note in order to hold him liable?
   (b) What would be the effect upon the endorser's liability in case such notice was not given?
   (c) If a note matured on Thursday, June 17th, and the endorser lived in another city, when should the notice of dishonor be mailed?
   (d) If the note by its terms was payable Saturday, June 19th, and the endorser lived in another city, when should the notice of dishonor be mailed?

(e) If the notice of dishonor was enclosed in a sealed envelope properly stamped and addressed, and at the proper time placed in a United States mail box but was lost by the mail carrier who collected the mail, would this constitute legal notice so as to hold the endorser liable?

6. (a) If a promissory note in Michigan specified that it shall draw interest but does not specify the rate, what rate of interest should be computed on the note?

(b) What is the maximum rate of interest which can be provided for by contract in Michigan?

(c) In case a note or other instrument provides for usurious interest, what are the rights of the maker and payee and what amount, if anything, can the holder recover on the contract?

7. (a) Is a note or contract signed on Sunday valid? Give reasons.

(b) If a note is dated Sunday, June 13th, 1915, but was actually signed and delivered and the entire agreement made on Monday, June 14th, is the note valid?

(c) Is a note or other contract signed, dated and delivered on a legal holiday valid?

8. (a) Can a person who purchases for value before maturity and without notice, a promissory note, enforce payment against a party whose name appears upon the note as maker but whose signature is a forgery?

(b) Does the law require the holder of commercial paper to know at his peril that the signatures of the makers and endorsers are genuine?

(c) Give your reasons why your answer to sub-division (b) should be and is the law.

9. (a) If you were auditing the books of a company and you found that they were extending credit to their customers and taking security in the form of a bill of sale of personal property, what recommendation, if any, would you make in your report as to the validity and wisdom of this form of security, and what would you recommend as a substitute and why?

(b) Under the same circumstances, if you found they were taking as security a deed of real estate, what recommendation, if any, would you make in your report as to the validity and wisdom of this form of security and what would you recommend as a substitute and why?

10. (a) Is the following instrument a negotiable promissory note?

$1,000.00 Detroit, Mich., June 14, 1915.
Ninety days after date I promise to pay to John Smith One Thousand Dollars with interest at seven per cent per annum. Value received. RICHARD ROE.

(b) If John Smith sells the above instrument in due course can the holder compel payment against Smith as endorser in case it is not paid by the principal? Give reasons.

11. (a) If a creditor accepts payment from a debtor giving a receipt in full and later discovers that he overlooked an item which the debtor was owing him, can he still legally insist upon payment of the omitted item?

(b) Under what circumstances can a receipt in full be contradicted?

12. (a) What do you understand by the Statute of Frauds as applied to the sale of personal property in Michigan?

(b) Under the Statute of Frauds in Michigan if Jones agreed to sell Smith a horse for $90.00, the agreement being oral and there being no part payment and no delivery, is the contract valid?

(c) Under the same conditions what would be the status of this contract if the purchase price was $110.00?

13. (a) What is the purpose of the Federal Bankruptcy Law?

(b) Name some of the debts which are not dischargeable in bankruptcy?

14. (a) What are the main differences between a corporation and a co-partnership?

(b) What legal effect does the death of a co-partner have on the life of a co-partnership?

15. (a) Jones and Smith associate themselves together in business under the name of the Michigan Real Estate Company, but fail to file the necessary certificate with the county clerk; what effect does this omission have upon the validity of contracts entered into by them?

(b) Is it necessary at the present time for all co-partnerships to file certificates with the county clerk of the county wherein they are transacting business?

(c) What is the purpose of this law?

16. (a) Under the Michigan Mortgage Tax Law what tax would the mortgagee be required to pay on a mortgage of $460.00?
    (b) Is this tax required to be paid annually, or, is it only required to be paid once and at the time of the recording of the mortgage, regardless of how many years the mortgage runs?
17. (a) What do you understand by the so-called "Blue Sky Law?"
    (b) What is the purpose of such laws?
18. (a) Name some of the instruments upon which a revenue stamp must be affixed under the Revenue Tax Law which became effective December 1, 1914.
    (b) What tax, if any, would be imposed under this law on a renewal note of $250.00?
    (c) A chattel mortgage is given to secure the payment of a note of $1,500.00; what stamp tax, if any, is required on the note and mortgage?
19. (a) Does the Revenue Tax Law which became effective December 1, 1914, supersede the Income Tax Law which was enacted by Congress during the year 1913?
    (b) Under the Income Tax Law what must a corporation pay the Federal Government on a net income of $10,000.00 per year?
    (c) What tax must a married man pay on a net income of $5,000.00 per year?
    (d) What tax must an unmarried man pay on a net income of $5,000.00 per year?
20. (a) If you were auditing the books of a mercantile institution and you found that they were taking notes which provided that payment was to be made out of a particular fund, what recommendation, if any, would you make in your report?
    (b) If you were auditing the books of a company and you found an employee had embezzled funds of the company and he promised his employers to make restitution if he was not criminally prosecuted, would you recommend the acceptance of this promise?

PRACTICAL ACCOUNTING

MICHIGAN STATE BOARD OF ACCOUNTANCY

EXAMINATION

for the degree of

CERTIFIED PUBLIC ACCOUNTANT

July 27-28, 1906

PRACTICAL ACCOUNTING

Friday, July 27, 1906, from 1:30 P. M. to 6:00 P. M.

75 credits necessary to pass, out of a possible 100 credits. Each complete answer will receive 16 2-3 credits. Do not repeat questions on examination papers but write answers only, designating the questions by number. The intelligence indicated by answers will be considered in marking the applicants, as well as the technical accuracy of such answers.

1. A corporation is organized under the laws of the State of Michigan, with Capital Stock $250,000.00, of which $100,000.00 is preferred and $150,000.00 is common stock, shares $100.00 each. The purchasers of preferred stock at par are to receive an equal amount of common stock free, all the preferred stock is subscribed and paid for, leaving $50,000.00 of common stock unsubscribed. It is found that the remaining common stock cannot be sold for sufficient cash for requirements and the holders of preferred stock donate to the Treasury $50,000.00 of their common stock. The common stock is sold at 50c on the dollar. Provide journal entries covering the above.

2. A Gas Company shows the following Trial Balance at the end of its first year of business:

Manufacturing labor	$ 5,400.00	Capital stock	$ 500,000.00
Boiler fuel	3,200.00	Bonds	500,000.00
Generator fuel	5,400.00	Accounts payable	48,000.00
Oil	126,000.00	Gas accounts	342,600.00
Purifiers	3,200.00		
Repairs, works	2,600.00		
Water	1,500.00		
Expense, works	3,900.00		
Insurance	300.00		
Taxes	4,800.00		
Distribution labor and material	12,000.00		
Office expense	13,500.00		
Stable expense	4,000.00		
Repairs, mains	1,800.00		
Repairs, meters	600.00		
Repairs, services	700.00		
Street lighting	300.00		
Advertising	300.00		
Maintenance arc lamps	1,500.00		
Licenses	1,000.00		
Discounts	34,000.00		
General expenses	5,000.00		
Sundry debtors, Gas	40,000.00		
Sundry debtors, Mdse.	10,000.00		
Cash	29,000.00		
Bond interest	25,000.00		
Plant	1,055,600.00		
	$ 1,390,600.00		$ 1,390,600.00

The inventory of manufacturing material is.....$20,000.00
The inventory of distribution material is..... 4,000.00
No other inventories of any description are carried.

The amount of gas manufactured during the year was 300,000,000 cubic feet. Amount sold, 270,000.000 cubic feet. Unaccounted for, 30,000,000 cubic feet.

Give: 1st. The Manufacturing Cost of Gas sold.
2nd. The Distribution Cost of Gas sold.
3rd. Prepare Statement of Operations of the Company and Balance Sheet of Assets and Liabilities.

3. Following is a list of the accounts appearing on the trial balance of a manufacturing company which deals in finished merchandise purchased as well as in its own products. From this list, and without using figures, draw up plans of financial statements (balance sheet, manufacturing account, profit and loss account, etc.), in the form which you think most suitable.

Accounts Payable
Salaries, Management
Capital Stock
Bills Receivable
Cash
Bills Payable
Salaries, Office and Store
Real Estate
Fuel
Insurance (Plant)
Light
Freight (on Mdse. Purchased)
Machinery and Tools
Freight (on Raw Materials)
Buildings
Sales (Own Product)
Inventory, Own Products
Inventory, Raw Materials
Inventory, Partly Manufactured Goods
Inventory, Mdse. Purchased
Inventory, Repair Supplies
Sales (Merchandise Purchased)
Undivided Profits(end of last year)
Purchases, (Merchandise)
Rent, Factory
Rent, Store and Office
Printing and Stationery
Accounts Receivable
Advertising
Purchases (Raw Materials)
Machinery Repairs
Productive Labor (Factory)
Labor (Warehouse)
Office Furniture
Reserve for Bad and Doubtful Accounts
Reserve for Depreciation
Insurance (Merchandise)
Bad and Doubtful Accounts
Travellers' Expenses and Salaries
Management Salary, Factory
Management Salary, Office
Discounts Allowed
Interest Payable
Depreciation
Sundry Factory Expenses
Sundry Office Expenses
Postage
Subscriptions and Donations
Discounts Received
Rents (Receivable)
Insurance unexpired, Plant
Insurance unexpired, Merchandise

4. A corporation organizes under the laws of Michigan to conduct a manufacturing business. Authorized capital $400,000.00, half each common and preferred stock, shares $100.00. Five incorporators subscribe for ten shares each of common stock at face value. John Smith purchases from three manufacturing companies, their complete plants for $395,000.00 and transfers said plants to the incorporated company for the remaining $395,000.00 of common and preferred stock and $150,000.00 of first mortgage 5% bonds out of a total issue of bonds of $200,000.00, leaving $50,000.00 of bonds in the treasury.

Make opening journal entries and trial balance showing the company's condition after the transaction.

5. A manufacturer is desirous of securing a partner and furnishes a statement covering five years' operations as follows:

ASSETS

Buildings	$ 20,000.00
Machinery and Fixtures	75,000.00
Inventory, Merchandise and Supplies	50,000.00
Cash	5,000.00
Accounts Receivable	40,000.00

LIABILITIES

Accounts and Bills Payable	$ 30,000.00

Sales average per year	500,000.00
Wages paid per year	170,000.00
Expense, Selling and General, per year	35,000.00
Material purchased	260,000.00

Buildings are on leased ground, lease expires in ten years, annual land rental, $1,000.00. Buildings revert to owner at expiration of lease.

New machinery when installed ten years ago cost $50,000.00. Additions since cost $25,000.00. No depreciation has been charged off. All repairs and replacements charged to expense. What in your opinion would be a fair price to be contributed for a half interest? Explain fully.

6. A and B, each carrying on a similar business, agree to form a partnership, the new firm to take over the assets and assume the liabilities of each. The following trial balances representing the book accounts were presented:

—A—

Capital		$ 40,000.00
Machinery and Fixtures	$ 30,000.00	
Cash	2,000.00	
Bills Receivable	5,000.00	
Accounts Receivable	30,000.00	
Inventory Merchandise	25,000.00	
Wages	7,000.00	
Wages due		250.00
Expense	10,000.00	
Bills Payable		10,000.00
Merchandise Account		40,000.00
Accounts Payable		20,000.00
Repairs	1,250.00	
	$110,250.00	$110,250.00

—B—

Capital		$ 50,000.00
Machinery and Fixtures	$ 30,000.00	
Cash	4,000.00	
Bills Receivable	8,000.00	
Accounts Receivable	40,000.00	
Wages	9,000.00	
Wages due		500.00
General Expense	15,000.00	
Bills Payable		15,000.00
Merchandise Account		50,000.00
Inventory	32,000.00	
Repair Account	2,500.00	
Accounts Payable		25,000.00
	$140,500.00	$140,500.00

Each partner is to draw half the profits. Formulate opening entries for the new firm. At the end of the year a profit is made of $30,000.00. Create a Trial Balance and Inventory, using your own figures to produce that result; divide the profit between the partners and make Statement of Assets and Liabilities.

PRACTICAL ACCOUNTING

Friday, December 21, 1906, from 1:30 P. M. to 6:00 P. M.

Answer questions 2 and 3 and two of the others, but no more. Answers in excess of the number required will not be considered.

1. The products of a manufacturing company are sold by a selling agent who bears all the expenses of selling. He receives a commission of 50% of the amount of the sale to customer. He is to be paid weekly his commissions on all settlements of shipments.

   A patentee is also to be paid a royalty on sales. A "stores" account is kept, also a factory product account which is credited monthly, with finished product, the same being charged to "stores" account at factory cost.

   What accounts should appear in a monthly balance sheet to show the condition of the business?

2. Following is a list of the accounts appearing on the trial balance of a manufacturing company which deals in finished merchandise purchased, as well as in its own products. From this list and without using figures, draw up plans of financial statements (balance sheet, manufacturing account, selling account, profit and loss account, etc.), in the form which you think most suitable.

Treasury Stock
Bonds
Sales of Old Machinery
Accounts Payable
Buildings
Sales (own product)
Bills Payable
Surplus
Fuel
Light
Inventory, Repair Supplies
Accounts Receivable
Salaries, Management
Cash
Freight (on Raw Materials)
Bad and Doubtful Accounts
Machinery Repairs
Rent, Factory
Inventory, Partly Manufactured Goods
Freight (on Mdse. Purchased)
Capital Stock
Real Estate
Machinery and Tools
Sinking Fund
Rents Received
Interest Payable
Sundry Office Expenses
Inventory, own product
Bills Receivable
Insurance (Plant)
Undivided Profits (end of last year)
Printing and Stationery
Subscriptions and Donations
Management Salary, Office
Office Furniture
Depreciation
Advertising
Inventory, Raw Materials
Salaries, Office
Sales, (Merchandise Purchased)
Management Salary, Factory
Discounts Received
Reserve for Depreciation
Salaries, Store
Rent, Store
Inventory, Merchandise Purchased
Purchases (Merchandise)
Rent, Office
Labor (Warehouse)
Reserve for Bad and Doubtful Accounts
Purchases (Raw Materials)
Productive Labor (Factory)
Insurance (Merchandise)
Travellers' Expenses and Salaries
Discounts allowed
Sundry Office Expenses
Postage
Insurance unexpired, Plant
Insurance unexpired, Merchandise

3. The following is a Trial Balance taken from the books of a Health and Accident Insurance Company for year ending June 30th:

DEBITS

Cash	$ 4,000.00
Securities—Mortgages	100,000.00
Bills Receivable	2,500.00

Stocks and Bonds	50,000.00
Bank, current account	4,000.00
Bank, certificates of deposit	5,000.00
Dividends	10,000.00
Profit and Loss Account	20,000.00
General Expense	1,000.00
Home treatment, Indemnity	35,000.00
Interest earned	4,000.00
Due from Sundry Agents	8,000.00
Re-Insurance Account	900.00
Accounts Receivable	60,000.00
Furniture and Fixtures	1,000.00
Hospital Bldg. and Equipment	50,000.00
Hospital expense	10,000.00
Advertising, Printing, Etc.	2,000.00
Agents Salaries and Expenses	1,500.00
Agents Commissions	12,000.00
Salaries, Officers and Employees	6,000.00
Insurance Commissioner's fees and taxes	3,000.00
Postage and expense	100.00
Cancellations	20,000.00
	$410,000.00

CREDITS

Capital Stock	$200,000.00
Surplus	40,000.00
Interest on Stocks, Bonds and Mortgages	3,000.00
Due Sundry Agents	2,000.00
Commissions, Re-Insurance	500.00
Accounts Payable	2,000.00
Premium Account (one year)	160,000.00
Contract Earnings on Medical Supplies	2,500.00
	$410,000.00

This Company is subject to a general insurance law requiring 50% of Premiums to be set aside as a reserve for re-insurance. In addition to items included in Trial Balance there is a list of claims in course of adjustment amounting to $5,000.00, also claims which were paid in July on notices received prior to July 1st of $3,000.00. There were worthless items carried as cash to the amount of $1,000.00. There were also liabilities incurred but not entered on the books prior to July 1st as follows:

Sundry Expense amount items	$ 200.00
Salaries earned	1,000.00

Yearly premiums are payable in five installments. Agents are paid by commissions, a stated % when business is secured and a final commission of 20% when premiums fully paid. Only paid commissions are considered in trial balance. Accounts receivable in trial balance represents unpaid premiums. Make statements as of June 30th of loss and gain and assets and liabilities.

4. Promoters agree in consideration of receiving the entire Stock of Corporation to furnish a complete plant with a specified production and also to furnish $50,000.00 as working capital. The Corporation is organized under the laws of an Eastern State with:

Preferred Stock	$1,000,000.00
Common Stock	2,000,000.00

The promoters fulfill their contract furnishing the plant and $50,000.00 working capital. The plant is located in a state which limits incorporation under its own laws to $10,000.00. It is deemed advisable to organize the operating company under the local laws, the original company assuming the position of parent company. The local organization is completed, subscriptions being as follows:

Parent Company	93 shares
Individuals	7 shares

The entire plant and working capital is turned over to the local company for operation. It is known that the promoters sold the $1,000,000.00 of preferred shares at par and gave an equal number of common shares as a bonus. The promoters did not furnish figures of cost of construction but an appraisal fixes the value of land, building and machinery at $1,000,000.00. The net earnings (after depreciation) are to be disposed of as follows:

10% to the Local Company
90% to the Parent Company

State opening entries for the parent company and for the operating company, also entries on both sets of books showing the disposition of profits.

5. A Municipal Comptroller had upon his books at the beginning of his fiscal year the following Bonds outstanding of $500,000.00 as follows:

Improvement Bonds	$100,000.00
Building "	300,000.00
Refunding "	100,000.00

Cash in the hands of the Treasurer $100,000.00.
Credit Balances to the following funds:

a.	$ 25,000.00
b.	10,000.00
c.	15,000.00
d.	30,000.00
e.	20,000.00

The earnings of the municipality for the ensuing year and the amounts necessary to be raised by taxation were estimated as follows:

Earnings from various departments	$200,000.00
Liquor Licenses	500,000.00
Taxes	300,000.00

The earnings from various departments and liquor licenses are placed in Fund a. Taxes are divided among the funds as follows: b. 30%, c. 20%, d. 15%, e. 35%.

At the close of the fiscal year the following collections had been received:

Earnings from various departments	$175,000.00
Liquor Licenses	490,000.00
Taxes	250,000.00

Make the necessary entries in full and present a balance sheet at the beginning and close of the fiscal year.

6. Under the laws of Michigan a Building and Loan Association has been incorporated with an authorized capital of $1,000,000.00. Stock divided into two classes, installment and full paid stock par value of each $100.00 per share. Installment Stock to be paid for at the rate of sixty cents per share per month, of which ten cents per share may be devoted to operating expenses, etc. No part of the profits can be used for expenses of the association. Estimated time of the maturity of the installment stock based on the earning power of the loaning feature of the association is 110 months. The nine directors decide to advance $1,000.00 each to meet the expenses and develop the business and the ten per cent of the expense deductions is to be set apart each year for the repayment of this nine thousand dollars.

The Secretary reports the sale of 1,000 shares of installment stock on which the first month's payment of sixty cents has been made. He also reports the sale of 500 shares of full paid stock for which he received the money.

Give the proper books for conducting the business of this association and for keeping its accounts and make the opening entries.

PRACTICAL ACCOUNTING

Friday, November 1, 1907, from 1:30 P. M. to 6:00 P. M.

Answer questions 1 and 3 and two of the others, but no more. Answers in excess of the numbers required will not be considered.

1. It is desired to effect a consolidation of two manufacturing corporations in the same line of business, having the same amount of capital stock, and doing practically the same gross business per year.

   The intention of the merger is to form a new corporation with the combined capital of the two corporations, including the surplus of each corporation, but on account of the much larger profit of one of the corporations, owing to better machinery, etc., the stockholders of that corporation are to receive 25% more of the stock of the new corporation than the other merged corporation. The new corporation to take over all the assets and assume all of the liabilities of the two corporations, as stated on their books.

   Make out a balance sheet of the assets and liabilities of each of the two corporations proposed to be merged, supplying your own figures covering all the usual items found in a manufacturing business. Close the books of each of the old corporations and open the books of the new corporation, covering the legal requirements of such merger, in accordance with the laws of Michigan, both as to the minutes of the old and new corporations and necessary payment to the State.

2. A corporation agrees to purchase from a firm of four partners their business. Their assets and liabilities were as follows: buildings, $100,000.00; machinery, $38,335.00; stock, $105,940.00; accounts receivible, $278,680.00; bills receivable, $37,005.00; cash, $17,030.00; horses and wagons, $1,230.00; unexpired insurance, $175.00; accounts payable, $84,065.00.

   Capital of each of the four partners:
   A, $125,500.00; B, $103,500.00; C, $133,000.00; D, $132,330.00.
   It was further agreed that the partners were to be paid for good will, based on a year and a quarter purchase of the last three years' profit which were respectively $34,150.00, $35,250.00 and $45,450.00.

   Prepare a balance sheet bringing in the good will and distributing it equally among the four.

3. A is a manufacturer of furniture, and his balance sheet at a certain date shows as follows:

Cash in the bank, $500.00; real estate, $20,000.00; machinery, after 10% depreciation, $40,000.00; accounts receivable, $7,542.50; stock on hand finished, $10,000.00; stock in process of construction, $1,000.00; raw material, $957.50; bills payable, $20,000.00; accounts payable, $30,000.00.

He agrees with B to sell him one-half interest in the business for the sum of twenty thousand dollars to be contributed to the new firm, the new firm to take the assets of A with the exception of the real estate and assume all of the liabilities, and that the good will of the business of A should be rated at $20,000.00 in the new firm's books. It was discovered shortly after the commencement of business of the new firm, that the inventory of finished stock was incorrect and that the value should have been entered at $8,000.00 and that of the accounts receivable $6,500.00 were collectable, one of the debtors owing $500.00 having failed leaving no assets, previous to the formation of the co-partnership, which fact was known to A but his bookkeeper, who had been instructed to charge off the account, failed to do so.

The trial balance at the end of the year's business showed as follows:

A. Capital Account	$ 25,000.00	
B. Capital Account	25,000.00	
Merchandise	75,000.00	
Accounts payable	40,000.00	
Accounts receivable	10,000.00	
Machinery	40,000.00	
Factory wages	35,000.00	
Non-productive labor	5,000.00	
General factory expense	20,000.00	
Rent	1,500.00	
A. Personal Account	2,500.00	
B. Personal Account	2,500.00	
General expense	2,000.00	
Good-will	20,000.00	
Cash	26,000.00	
Profit and Loss	500.00	
	$165,000.00	$165,000.00

Inventories at close of year:

Stock on hand finished	$ 25,000.00
Stock on hand in process of construction	2,500.00
Raw material	2,500.00
	$ 30,000.00

No correction was made of the discrepancies and no amount has been charged off for depreciation of machinery, which should be 10%.

Make proper entries to correct books, with reasons for such entries in full, also formulate balance sheet showing the standing of the firm.

4. You are an auditor engaged by a corporation to audit their accounts. At the beginning of the period you are to cover, the following statement is drawn from the books:

Capital		$100,000.00
Surplus		1,000.00
Accounts receivable	$ 10,000.00	
Buildings after deducting $5,000... for depreciation	35,000.00	
Machinery after deducting $5,000 for depreciation	55,000.00	
Cash	500.00	
Stock on hand	500.00	
	$101,000.00	$101,000.00

During the period which you are auditing, you find buildings and machinery charged with $10,000.00 which was to cancel the entries of depreciation.

Capital stock increased $10,000.00 and a stock dividend paid of $10,000.00.

These entries were authorized according to the minute book, but not entered correctly in the general books. Make report of the above transaction and formulate the necessary entries for the bookkeeper.

5. The administrator of a will received $50,000.00 in cash to be distributed among the heirs and legatees under the terms of the will, as follows:

   Alice, a daughter of the deceased, after payment of the legacies, including a legacy of $1,000.00 to herself, was to receive one-fifth of the residue of the estate.

   Ann, a daughter of the deceased, after payment of the legacies, was to receive one-fifth of the residue of the estate.

   Mary, a daughter of the deceased, was to receive the same as Ann.

   George, a son, after payment of the legacies, including a legacy of $500.00 for himself, was to receive one-fifth of the residue of the estate.

   Three children of a deceased son, Joseph, were to receive legacies of $500.00 each.

   John, a son, was to receive one-fifth interest in the residue of the estate subject to payment of the legacies as mentioned, and also subject to legacies of $3,000.00 each to his wife and three children.

   The administrator carried out the terms of the will.

   Open the books of the administrator, showing receipts of the funds, their proper distribution, payment and closing entries.

6. A corporation is organized under the laws of the State of Michigan, with a capital of $1,000,000.00 in 100,000 shares at $10.00 each, 50,000 shares of which are common stock and 50,000 shares preferred stock. 20,000 shares of the preferred stock have been sold at par, on which an assessment of $5.00 per share has been paid.

   Subsequently it was determined by the stockholders to donate one share of the common stock of the company to the purchaser of each share of the preferred stock, the original subscribers to the 20,000 shares on which an installment of $5.00 per share was paid, to receive the benefit of such offer upon the payment of the balance of their subscription. The effect of this offer was that all the preferred stock was sold and the balance of the installment due was also paid.

   Give entries for all the above, placing the transactions at intervals of one month.

PRACTICAL ACCOUNTING

Saturday, June 27, 1908, 1:30 P. M. to 6:30 P. M.

1. The following figures are taken from the books of the Fairview Manufacturing Company of New York City, on the 31st day of December, 1907:

Inventory of Finished Goods (Jan. 1)	$ 3,684.57
Inventory of Raw Materials (Jan. 1)	11,392.70
Purchases of Raw Materials	62,519.85
Sales	217,387.42
Wages	109,317.88
Rent	19,500.00
Discounts received on purchases	375.60
Discounts allowed on Sales	186.36
Power, Light and Heat	8,710.64
Light and Heat for Office	168.00
Repairs	1,090.00
Packing	2,017.00
Factory Expense	3,270.00
General Expense	5,230.00
Factory Insurance	1,050.00
General Insurance	750.00
Machinery and Plant	12,350.00
Tools	2,600.00
Commissions	7.642.00
Office, Salaries	9,700.00
Salesmen, Salaries	8,930.00
Interest on Loans	440.00
Loans Payable	22,000.00
Discount Lost	120.00
Notes Receivable	130,000.00
Notes Receivable Discounted	8,000.00
Notes Payable	19,500.00
Accounts Receivable	101,026.00
Accounts Payable	30,020.00
Office Furniture	1,100.00
Furniture and Fixtures	1,950.00
Cash on hand	1,825.00
Cash in Banks	26,467.00
Returned Sales	276.00
Capital	200,000.00
Reserve for Depreciation	3,236.98

Reserve for Bad Debts	5,727.00
Freight and Cartage Inward	727.00
Stable Expenses	2,750.00
Horses, Wagons and Harnesses	8,500.00
Postage and Expressage	1,250.00
Superintendence	3,500.00
Taxes	250.00
Good-will	10,000.00
Stationery and Printing	1,080.00
Advertising	8,630.00
Surplus (1906)	63,753.00

You are requested:

(a) To prepare from them a Trial Balance, arranged in systematic order as to Balance Sheet Accounts, Assets and Liabilities, Loss and Gain accounts, Expenses and Revenues, the Expenses divided between Commercial and Manufacturing, so as to facilitate the preparation of financial or business statements.

(b) To draft journal entries for closing the books.

(c) To prepare Manufacturing, Trading, and Profit and Loss accounts.

(d) To verify your results shown in (c) by a Balance Sheet.

The following items are to be taken into consideration before preparing the statements asked for:

Inventories:

Raw material	$16,250.00
Finished Goods	9,386.00
Tools	2,000.00
Office Furniture	1,000.00
Furniture and Fixtures	1,500.00
Stationery and Printing	300.00

Allow for depreciation:

On Machinery and Plant, 5%
On Horses, Wagons and Harnesses, 10%
Reserve for Bad Debts, 3% on Accounts Receivable only.

The item of Rent $19,500 is to be apportioned as follows:

53% for Factory.
22% for Salesrooms.
25% for Office.

The item of superintendence, $3,500, is to be divided 3-5 to factory, and 2-5 to general expense.

2. The Western Grain Company has this day been incorporated, under the laws of this state, by the following incorporators, C. H. Benton, J. W. Walters, F. Rowland and A. B. Miller, all of this city, with an authorized capital of $25,000.00, divided into 250 shares of $100.00 each.

The purpose of this corporation is to buy and sell all kinds of grain and the subscriptions to the stock of the company are as follows:

C. H. Benton, 60 shares; J. W. Walters, 60 shares; F. Rowland, 100 shares; and A. B. Miller, 30 shares.

Pursuant to an arrangement between the firms of Benton & Walters and F. Rowland, and the Western Grain Company, the former two individual concerns agree to sell to the latter all their assets consisting of stock of merchandise, real estate, accounts and notes receivable, good will, etc., etc., in consideration of the assumption by the Western Grain Co., of all the liabilities of the two individual concerns as well as for the payment in capital stock of the Company for the balance which the assets may exceed the liabilities. The balance sheet of each individual concern, which is taken as exhibiting the exact value of each plant is as follows:

BENTON & WALTER'S BALANCE-SHEET

Cash		$ 2,300.00	Notes Payable	$4,160.33	
Notes			Accts. Payable	839.67	$ 5,000.00
Receivable	$2,300.00		Notes Rec. Dis.		1,300.00
Accounts			C. H. Benton		4,000.00
Receivable	8,600.00	10,900.00	J. W. Walters		4,100.00
Furniture and Fixtures		200.00			
Unexpired Insurance		68.75			
Merchandise (Inv.)		931.25			
		$14,400.00			$14,400.00

F. ROWLAND'S BALANCE-SHEET

Real Estate		$ 5,159.00	Notes Payable	$1,250.00	
Furniture and Fixtures		495.00	Accts. Payable	1.750.00	$ 3,000.00
Merchandise (Inv.)		1,196.00	F. Rowland		9,200.00
Notes Rec.	$ 800.00				
Accts. Rec.	1,350.00	2,150.00			
Cash		3,200.00			
		$12,200.00			$12,200.00

The Good Will of Benton and Walters is valued at $1,500.00, while that of F. Rowland is valued at $2,000.00.

To enable the corporation to carry out this agreement the original subscriptions of Benton, Walters and Rowland are therefore amended as follows:

C. H. Benton subscribing 20 shares, Walters 20 shares, and Rowland 27 shares. A. B. Miller pays in cash for his subscription and Benton, Walters and Rowland each donate 5 shares of the capital stock of the company to provide a Reserve for Contingencies.

Draft the necessary journal entries for the opening of the corporation books and all the other facts mentioned above and create the ledger accounts.

3. A. Wells, a manufacturer of novelties, is joined by I. M. Anxious in partnership upon the following terms:

A. Wells is to receive a monthly salary of $100 for the first year, which shall be a first charge upon the profit, after providing for the usual business expenses, and before reckoning 3% upon the partner's capital. In the event of such profit during the first year, or any subsequent year, not exceeding 6% of the total capital (after payment of the salary), this salary shall be reduced to $75.00 per month the following year, and remain so until the yearly profit advances to more than 6%, when such salary shall return to $100, commencing the year succeeding the one showing the required increase of profit. Should the profit in any one year amount to more than 10% upon capital, A. Wells shall be entitled (in addition to the salary he has received for that year) to a bonus of 33 1-3% upon any sum in excess up to $1,500.00, and 25% upon any further excess and this bonus shall be a charge against profit, before allotting the interest at 3% upon capital. Any profit then remaining shall be divided equally. From the following particulars, construct separate capital accounts for partners for five years. Starting capital: A. Wells, $6,000.00, I. M. Anxious, $5,000.00.

Profit before deducting salary, interest or bonus:

1st Year	$1,750.00
2nd "	1,800.00
3rd "	4,250.00
4th "	5,000.00
5th "	5,500.00

No drawings on account. Distribution of profits when ascertained.

4. James Buck died March 31, 1908, leaving an estate, and in his last will made a public accountant his executor. The will provided the following:

Legacies of $3,500.00 each to the testator's two brothers.
A legacy of $5,000.00 to the testator's sister.
A legacy of $2,500.00 to the testator's nephew.

The residuary estate should go to the testator's wife, two sons and three daughters in the following proportions: 2-5 to the wife, 1-5 to the eldest son, and 1-10 each to the second son and daughters respectively.

The estate consisted of:

Cash on hand	$ 246.19
Cash at Safety Trust Co.	3,556.50
18 Imp. Jap. Gov. 4½% Gold Bonds at 1,000	18,000.00
30 shares Chicago & Northestern R. R. Stock at 155	4,650.00
25 shares Penn. R. R. Stock at 122	3,050.00
2 demand notes at $500 each	1,000.00
Stock in Business	9,375.00

The testator owed to F. Harbor $1,500.00.

The appraiser appointed by the court inventoried the estate as follows:

18 Imp. Jap. Gov. 4½% Gold Bonds at $1,020.00.
30 shares Chicago & Northwestern at 152 1-9.
25 shares Penn. R. R. Stock at 120.
2 demand notes as per inventory.
Stock of goods, $8,000.00.

The executor collected from the Trust Company the deposit of $3,556.50 and also $28.96 in interest. He sold the stocks at the appraised figures and the bonds at 1025. He paid to F. Harber the amount due him, to B. Robert, undertaker, $786 for funeral expenses. He also paid for sundry expenses $286, approved by the court. He deducted his commissions and distributed the funds according to the last will.

From the above statement prepare:

(1) Schedules for presentation to the court in final accounting.
(a) Statement of commissions to which the executor was entitled.

5. Harvey Brothers became financially embarrassed and a trustee was appointed January 1, 1907, to take charge of their affairs for the benefit of the creditors. On that date, (January 1, 1907), the financial condition as shown by their balance sheet was as follows:

BALANCE SHEET OF THE FIRM OF HARVEY BROS.
AS ON JAN. 1, 1907

Assets			*Liabilities*		
Cash on hand and in Bank		$ 1,006.50	Bills Payable	$6,000.00	
Bills Rec.	$18,000.00		Accts. Payable	9,000.00	$15,000.00
Accts. Rec.	4,500.00	22,500.00	Notes Rec. Disct.		10,000.00
Machinery and Tools		6,000.00	Loan Payable		1,000.00
Mdse. Inventory		4,350.25	Taxes Due		315.00
Real Estate		20,000.00	Mtge. on Real Estate		15,000.00
			Mtge. on Mach. and Tools		5,000.00
			Capital		7,541.75
		$53,856.75			$53,856.75

In order to advantageously realize on all assets, the trustee purchases merchandise to the amount of $10,000.00 and during the year collected $21,350.00 cash for sales. The book debts realized $3,950.00. Of the bills receivable entered in the Balance Sheet as $18,000.00, there was on hand only $8,000.00, the balance of $10,000.00 having been discounted with the bank and which are represented on the liability side by the item Notes Receivable Discounted. The $8,000.00 notes on hand realized the full sum, while of the $10,000.00 discounted with the Bank only 70% could be realized, the balance was lost.

The Bills Payable, Accounts Payable, Taxes and Interest on Mortgages (5½%) were paid in course of settlement.

Current expenses were as follows: salaries $1,000.00, office expenses $800.00, legal fees $1,200.00, withdrawals for private use by the owners $2,000.00, trustee's commission $2,000.00.

On January 1, 1908, the trustee surrendered charge of the estate and paid over the cash balance on hand. There remained on that date merchandise on hand $5,600.00. Prepare a realization and liquidation account, a trustee's cash account, and a balance sheet of the estate at termination of trust.

PRACTICAL ACCOUNTING

Saturday, July 24, 1909, from 1:00 P. M. to 6:00 P. M.

Answer questions 1 and 2 and two of the others, but no more. Answers in excess of the number required will not be considered.

1. The A. Company was organized July 1, 1905, under the laws of the State of Michigan, with an authorized capital stock of $100,000.00, divided into 1,000 shares of $100.00 each. Their operations have not been very successful. Their stock has never paid any dividends, and their capital, at present, is impaired. The stockholders at a meeting decided to reorganize the company and for that purpose a committee was appointed to have the properties appraised and to take such measures as they would deem advisable. The condition of affairs as disclosed by the books is as follows:

Real Estate and Buildings	$ 35,000.00	
Plant and Machinery	28,000.00	
Equipment and Fixtures	14,000.00	
Tools	3,000.00	$ 80,000.00
Inventories:		
Finished Goods	$ 27,500.00	
Raw Material	11,500.00	
Supplies	5,300.00	44,300.00
Organization Expenses	$ 8,000.00	
Less amount written off	3,000.00	5,000.00
Capital Stock		$100,000.00
Treasury Stock		5,000.00
Bonded Indebtedness		25,000.00
Treasury Bonds		5,000.00
Accounts Receivable		87,700.00
Notes Receivable		17,800.00
Notes Payable		26,200.00
Accounts Payable		82,000.00
Loans Payable		26,000.00
Cash		3,200.00

The B. Company is a corporation also organized under the laws of this state and in existence for the last 5 years. The capital stock of this Company is $150,000.00, divided into 1,500 shares

of $100.00 par value. The company has paid an annual dividend of 9% since organization, and their yearly net profits were as follows:

1st year	$34,500.00
2nd year	33,000.00
3rd year	35,000.00
4th year	35,500.00
5th year	30,500.00

Having learned of the financial embarrassment of the A. Company, and desiring to get possession of their buildings and real estate which are adjacent to the B. Company's property, they propose to the committee of the A. Company that the two corporations be amalgamated. A consolidation agreement was drawn up, containing among others the following provisions:

(1) The charter of the B. Company is to be amended and the name changed to that of the Consolidated Manufacturing Company, the latter to absorb the stock of the A. and B. Companies, respectively.

(2) The current assets of the A. Company are to be taken over at their book value, except that a reserve of 5% be deducted on notes and accounts receivable.

(3) The fixed assets are to be taken on the following basis:
   (a) Real Estate and Buildings at 15% increase of book value.
   (b) Plant and Machinery at 85% of book value.
   (c) Equipment and Fixtures at 80% of book value.
   (d) Tools at 60% of book value.
   (e) Organization expenses are not to be considered at all.

(4) The Consolidated Manufacturing Company is to assume the liabilities of the A. Company to the public, and to issue to the latter capital stock for the excess of the assets over the liabilities. If there be any fractional sum of $100.00, the A. Company is to receive a full $100.00 share for such fractional part.

(5) The assets of the B. Company are to be taken over at their book value and, in addition, the company is also to be given stock for the good will, the latter to be based on the last 3 years' net profits and is to be 60% of that total.

(6) The Consolidated Manufacturing Company is to provide for a bond issue of $100,000.00 with which it is to take up the outstanding bonds of the A. Company, and to sell the

balance in order to raise cash funds. The stockholders of each respective company to have the privilege of taking the bonds at 96.

(7) The Consolidated Manufacturing Company is to assume all the liabilities to the public of the B. Company.

Assuming that the last Balance Sheet of the B. Company, which is as follows, presents the true condition of this concern:

BALANCE SHEET OF THE B. COMPANY AS ON ———, 1908

Current Assets			
Cash			$11,740
Notes Receivable	$ 8,450		
Accounts Receivable	74,930	$83,380	
Less Reserve		4,169	79,211
Inventories			
Raw Material	$ 9,840		
Goods in Process		8,750	
Finished Goods		121,550	140,140
Total of Current Assets			$231,091
Fixed Assets			
Buildings	$20,000		
Less Depreciation	1,000	19,000	
Plant and Machinery		85,700	
Less Depreciation	8,570	77,130	
Equipment and Fixtures		34,900	
Less Depreciation	3,490	31,410	
Tools (revalued)		6,369	
Total of fixed assets			133,909 $365,000
Current Liabilities			
Notes Payable	$ 26,500		
Accounts Payable		87,500	$114.000
Capital and Surplus			
Capital Stock	$150,000		
Surplus		101,000	$251,000 $365,000

You are required to give:

(a) Closing entries for the A. Company.

(b) Journal entries for the Consolidated Manufacturing Company covering capitalization, issue of bonds, taking for granted that the stockholders of the A. and B. Companies took advantage of their rights with regard to purchase of bonds—and also payments to be made to the State and County authorities.

(c) Balance Sheet of the Consolidated Manufacturing Company placing the assets of the A. Company at the value as shown by the latter's books, crediting the difference between the price paid for them and the revaluation to good will paid to the B. Co.

2. A company of bicycle manufacturers makes up its accounts December 31, 1907, for the year. The following are the debits to the profit and loss account:

Raw material on hand January 1, 1907	$12,500 00
Finished machines on hand January 1, 1907, 1,600 wheels at $30	48,000 00
Purchases of material	62,500.00
Labor, productive	82,500.00
Manufacturing expenses: coal, repairs, paint, varnish, superintendents' salaries, unproductive labor and sundry other expenses	23,000.00
Agents commissions	90,000.00
Branch expense: rents, salaries and miscellaneous	40,000.00
Selling expense: travelers' expenses and salaries, discounts, rebates and miscellaneous	30,000.00
Bad Debts	8,000.00
Depreciation on machinery and plant	5,500.00

The sales for the year 1907 were 6,000 wheels, yielding $540,000; the raw material on December 31, 1907, taken at cost was $4,000, and the finished wheels in stock ready for sale numbered 800. Prepare an account from the above, showing:

(a) Number of wheels manufactured;
(b) The cost per wheel;
(c) The gross manufacturing profit;
(d) The final net result, including in the profit and loss account the stock of finished wheels on hand December 31, 1907, at their cost as shown by the accounts.

3. X, Y, and Z, foundrymen, unable to meet their obligations, suspend payment January 1, 1908, and appoint a trustee to realize and liquidate for the benefit of their creditors. The books showed the following assets and liabilities:

Land and building	$125,000	Mortgage on foundry premises	$100,000
Machinery and tools	75,000	Notes payable	135,000
Furniture and fixtures	10,000	Accounts payable	105,040
Materials and supplies	95,000	Interest Accrued on Mtge.	1,220
Notes receivable	15,000	Taxes Accrued	840
Accounts receivable	115,000	Capital	93,350
Cash	450		
	$435,450		$435,450

The trustee's cash receipts and payments during the year 1908 were as follows:

Notes receivable (outstanding Jan. 1, '08)	$ 15,000	Notes payable	$ 25,000
Accts. Rec. (outstanding Jan. 1, '08)	106,500	Accounts payable	35,000
Cash sales	5,435	Interest on Mtge. 1 yr., at 5%	5,000
Notes Rec. (cont. during '08)	13,500	Taxes for year 1907	810
Accts. Rec. (cont. during '08)	212,000	Purchase of material and supplies	98,000
		Labor	135,030
		General expenses	45,020
		Interest on bills payable to Sept. 30, '08, @ 5%	2,800
Total receipts	$352,435	Total payments	$346,660

Other transactions were as follows:

Sales on credit		$335,000
Bad Debts written off accounts prior to January 1, 1908	$ 8,000	
Bad Debts written off accounts subsequent to January 1, 1908	2,000	10,000
Discounts and allowances to Customers' accounts prior to January 1, 1908	500	
Discounts and allowances to Customers' accounts subsequent to January 1, 1908.	300	800
Notes received from customers		20,000
Notes given to Creditors (110,000 being renewals)		180,000
Inventory of Materials, Dec. 31, 1908		92,000

At the end of the year the business was returned to the owners. Prepare realization and liquidation account, and balance sheet.

4. A company is formed under the laws of Mexico, to take over and work certain mining properties. At the end of one year the company is found to possess:

Mining lands	$484,675.48
Buildings and improvements	20,499.76
Machinery	25,612.88
Cash on hand and in bank	24,612.50
Silver bullion	85,209.50
Ore in dump	13,680.00
Merchandise	5,420.80
Fuel, Oil, etc.	679.20

The company owes:

On open accounts	3,890.12
On account of pay-rolls	400.00
Note due in six months with interest at 6%	25,000.00
Capital Stock (full paid) is	500,000.00

Set up balance sheet.

As the greater part of the capital invested in the above undertaking is furnished by citizens of the State of Michigan a corporation is organized under the laws of this state to acquire a majority of the capital stock of the Mexican company and thus to control its affairs. The capital is fixed at $200,000, all of which is subscribed for and paid in at 120. An issue of $200,000 in 20 year 6% gold bonds is authorized and sold at 110. The new company purchases 4,000 shares of the Capital Stock of the Mexican company, par value $100 per share, Mexican silver at 150. At the end of one year a dividend of 15% is received on these shares. The taxes and expenses of the Company are $8,640. Set up a profit and loss statement and balance sheet, assuming the value of the Mexican dollar to be 50 cents, gold, and show how cash balance is arrived at.

5. On January 1, the Fairview Real Estate Association was incorporated, the capital subscribed and paid in being $30,000, divided into 30 shares. The association purchased improved property for speculative purposes, paying cash $30,000 and giving a first mortgage for $60,000 at 6%. The association organizes and incorporates on the same day the Fairview Club, with 30 proprietary members (being the stockholders of the real estate association), and 30 associate members who have no proprietary interest but enjoy all the privileges without incurring any of the liabilities. The annual dues are $100 a year, paid by all in advance.

The association leases to the club the property aforesaid, the consideration, in lieu of rent, being the payment by the club of all sums for taxes, betterments, interest, fixtures, furniture, etc. The proprietary members are assessed $300 each, and by a subsequent resolution of the association are to receive credit therefor, with interest at 6%. Five members fail to pay the assessment.

The association having executed a contract for the sale of the property for $110,000, the club disbands at the end of the year. The club expenditures for the year were as follows: taxes,

$1,800; interest on mortgage, $3,600; repairs, $1,000; improvements, $3,000; furniture and fixtures, $2,000; general expenses, $500; help (sundry employees) $1,600.00. There were house charges against the members of $500 which were subsequently collected; and there were payable book debts of $4,000. A second assessment of $100 called for to pay off the club debts, was paid by the proprietary members of the association.

Frame journal entries, raise and close accounts on the association and the club books, and prepare balance sheet and revenue account for each.

6. The ledger of Jenkins and Brown at the end of the fiscal year showed the following balances:

H. Jenkins			$18,950.00
A. Brown			18,950.00
Bills receivable		750.00	
Cash		$ 3,000.00	
Book Accts. receivable		18,000.00	
Inventory:			
Raw materials	$ 8,000.00		
Labor	12,000.00		
Manufactured goods	6,500.00	26,500.00	
Accounts payable			2,350.00
Bills payable			8,000.00
		$48,250.00	$48,250.00

Pursuant to agreement each partner had drawn $2,800 as salary which had been charged as an expense to the business. The profits and losses were then divided equally. The results for the period just ended showed a net loss of $2,500 which the partners were unable to understand in view of the fact that they had done a business of $100,000, and according to their cost calculation this should have produced a profit over and above their salaries. An accountant was called in to explain the unaccountable loss. An analysis of the merchandise and profit and loss accounts (into one or the other of which the nominal accounts had all been closed) showed the following summary:

Raw material at commencement of period	$ 9,000.00
Labor at commencement of period	13,000.00
Manufactured goods at commencement of period	22,000.00
Purchases during period	20,000.00
Labor	35,000.00
Wages	4,000.00

Traveling expense, commission, etc.	10,500.00
Salaries	2,000.00
Rent	1,500.00
Bad Debts	2,550.00
Sundry depreciation	600.00
Discounts and interest	250.00
Gross sales	100,000.00
Return sales	3,000.00

An inspection of their cost records showed the following consumption:

Material	$18,000.00
Labor	32,000.00

Prepare accounts that will give expression to their transactions and thereby indicate any discrepancy that the above figures may reveal.

PRACTICAL ACCOUNTING

Saturday, June 25, 1910, from 1:30 P. M. to 6:30 P. M.

Questions 1 and 2 must be answered and one of the other three.

1. The New Corporation became incorporated for $100,000 and on January 1, 1909, acquired the entire business, real estate, patent rights, etc., of A. B. The New Corporation issued $87,500 in stock to A. B. in purchase of the business. The remaining $12,500 was sold for $15,000.00 to A, payable in five monthly installments of $3,000.00 each, the first installment to be paid September 30, 1909.

   The firm of A. B. commenced business January 1, 1907. You find that the books were not closed at the date the business was acquired by the New Corporation and that no entries have been made to give effect to above transactions. You are furnished with the information below and are required to compile a Loss and Gain Account covering the operations of the New Corporation from January 1, 1909 to December 31, 1909, together with a Balance Sheet on December 31, 1909, having given effect to the above transactions.

The following are the ledger balances drawn from the books on the respective dates:

	Jan. 1, 1909	Dec. 31, 1909 These Accts. represent the entire period since commencement of business.
Cash	$ 32.00	$ 5,768.00
Notes receivable	625.00	625.00
Accounts receivable	8,650.00	30,105.00
Sundry debtors	112.00	866.00
Real Estate and Buildings	6,782.00	7,434.00
Machinery	5,968.00	11,498.00
Patterns, Dies, etc.	202.00	973.00
Shop equipment	2,757.00	3,476.00
Notes payable	9,740.00	18,700.00
Accounts payable	7,901.00	5,071.00
Sundry creditors	471.00	402.00
U. payment upon purchase of capital stock		12,000.00
A. B. Capital Account	16,000.00	16,000.00
Sales	37,421.00	97,150.00
Royalties received		15,760.00
Manufacturing materials	13,260.00	34,155.00
Manufacturing labor	5,730.00	14,401.00
Advertising	2,730.00	5,924.00
Drafting Room salaries and expense.	1,120.00	2,660.00
Experimental	1,230.00	1,980.00
Fuel	1,410.00	2,270.00
Freight, Exp. and Cartage, in	950.00	2,410.00
Freight, Exp. and Cartage, out	1,170.00	2,490.00
Insurance	410.00	750.00
Incidentals	317.00	637.00
Miscellaneous factory supplies	900.00	2,500.00
Non-productive labor	830.00	2,262.00
Postage	173.00	355.00
Stationery and Office Supplies	185.00	456.00
Salaries, office and management	10,460.00	17,241.00
Salaries, salesmen	2,870.00	6,290.00
Traveling expenses	1,150.00	3,857.00
Taxes	210.00	520.00
Watchman and Engineer	760.00	1,720.00
Interest	540.00	1,460.00

The following are the inventories and reserves for the respective periods to be inserted:

Inventories	$2,451.00	$8,460.00
Reserve for Bad and Doubtful Accts...	500.00	1,500.00
Reserve for Depreciation of Plant.....	780.00	1,230.00

Prepaid and accrued expenses may be ignored for the purpose of this question.

2. You are asked to examine the books of the Michigan Manufacturing Company with a view to ascertaining their true financial position at the close of their year ending May 31, 1910. The following trial balance is submitted:

Cash on Hand and in Bank	$ 430.15	
Notes Receivable	7,907.62	
Customers' Accounts	20,797.80	
Real Estate and Buildings	35,333.83	
Machinery and Equipment	12,344.88	
Horses, Wagons, etc.	1,265.40	
Power Machinery Co.	727.77	
Manufacturing Materials	133,848.53	
Misc. Factory Supplies	1,631.09	
Productive Labor	63,842.23	
Freight, Express and Cartage "In"...	1,734.70	
Stable Expense	1,694.11	
Misc. Non-Productive Labor	1,993.50	
Fuel	5,554.82	
Insurance	3,872.32	
Repairs to Machinery	507.73	
Water Tax	140.53	
Advertising	378.58	
Discount allowed to Customers	3,362.19	
Postage	264.42	
Salaries	6,170.00	
Stationery and Office Supplies	296.02	
Miscellaneous Main Office Expense..	241.08	
Interest Paid	3,386.80	
Accrued Pay Rolls		$ 487.66
Notes Payable		22,344.81
Accounts Payable		5,512.34
Sundry Creditors		2,511.89
Reserve for Bad Debts		1,059.51
Capital Stock		85,000.00
Sales		187,540.38
Discounts Earned on Purchases		2,081.59
Interest Earned		463.17
Miscellaneous Earnings		724.75
	$307,726.10	$307,726.10

You find that the inventory of manufacturing material at the beginning of the year was $27,214.41, and at the close of the year $51,358.58. At the close of the year there was also factory supplies on hand to the amount of $200.00, as well as fuel $2,-188.40, and horse feed $14.22. You find that the unexpired insurance premiums amounted to $1,720.18; that the accrued interest on notes payable amounted to $134.83 and accrued taxes to $376.75. An analysis of the customers' accounts disclosed the fact that $9,128.11 was very doubtful of collection. The item of $727.77 to Power Machinery Co. represents an advance payment made on machinery which has been purchased, but not yet completely installed and not included in machinery account. You find in the account for horses and wagons a charge for $75.00 for difference paid on an exchange of horses, the new horse being presumably of the same value at which the old horse was originally entered. Prepare Balance Sheet, Manufacturing Statement and Loss and Gain Statement providing for Depreciation of 10% on Machinery and Equipment.

3. Adam Smith and Thomas Gray have been in business as contractors for the last six years. Each invested $63,000 cash and was to receive one-half of the gain and bear half of the losses, which were as follows for the entire period:

Year 1899, Gain	$15,000.00
1900, Gain	18,000.00
1901, Gain	21,852.00
1902, Gain	1,500.00
1903, Loss	1,500.00
1904, Loss	3,000.00

Each withdrew from the business for private use $6,000.00 per year. On December 31, 1904, an assignment was made and the Assignee obtained the following information in addition to that already given, from which he proceeded to make a Statement of Affairs and a Deficiency Account to be placed before the creditors:

Unsecured Creditors on open account	$ 27,000.00
Fully secured Creditors	6,900.00
Securities held by above consist of patents, valued at	9,000.00
Partly secured Creditors	105,000.00
Securities held by above consist of railway shares, valued at	60,000.00
Wages due	2,000.00
Rent due	400.00
Bills Payable	60,000.00

Book Debts (Good)	3,000.00
Book Debts (Doubtful), (Est. worth $225.00)	800.00
Book Debts (Bad), of no value	900.00
Stock in Trade	112,500.00
Above is estimated worth	66,600.00
Plant and Machinery cost	120,000.00
Above estimated to produce	60,000.00
Office Furniture, $900 estimated worth	600.00
Bills Receivable under Discount	10,000.00
Estimated Liability of Estate on above	4,000.00
Cash in Bank	252.00

From the facts given above prepare:

(a) A Statement of Affairs.

(b) A Deficiency Account.

4. Compile from the following particulars, supplied by the branches, an account with each branch in the books at the head office of the Wholesale Co., whose year ends December 31,1909, bringing down the balances as they should appear on January 1, 1910.

The branches receive all their goods from the head office and pay in all of their cash every day. They keep their own sales ledgers and do their own collecting. All payments for wages and expenses at the branches are drawn by check from the head office on the Imprest system.

	A	B
Merchandise received from head office	$10,360.00	$10,730.00
Cash received from customers	11,450.00	10,340.00
Allowance to customers	15.00	35.00
Returns from customers	75.00	200.00
One year's sales to Dec. 31, 1909	10,870.00	12,605.00
Cash Sales	8,400.00	5,700.00
Bad Debts	280.00	530.00
Inventory of Mdse. at Jan. 1, 1909	2,300.00	2,500.00
Debtors at January 1, 1909	8,270.00	5,730.00
Debtors at December 31, 1909	7,320.00	8,760.00
Inventory at December 31, 1909	3,750.00	4,320.00
Rent and Taxes paid	600.00	730.00
Wages and other expenses	2,020.00	2,310.00

5. A. and B. are partners sharing profits and losses equally. Their respective capital accounts are: A, $6,000.00; B, $1,500.00. Their liabilities amount to $15,000.00, which includes $3,000.00 due A on loan account and $1,500.00 due to B on loan account. Give the ledger accounts showing closing up of the partnership.

PRACTICAL ACCOUNTING

Friday, June 28, 1912, from 1:30 P. M. to 7:00 P. M.

Questions 1 and 2 must be answered and two of the other four.

1. The Detroit United Railway Company with an authorized Capital Stock of $1,000,000 consisting of 5,000 shares each of Preferred and Common Stock at the par value of $100, had on January 1st, 1912, assets and liabilities as follows:

ASSETS

Real Estate and Building	$200,000.00	
Power Plant and Machinery	250,000.00	
Aerial Construction	200,000.00	
Surface Construction	200,000.00	
Underground Construction	150,000.00	
Rolling Stock	300,000.00	
Accounts Receivable	10,000.00	
Cash	5,000.00	$ 1,315,000.00

LIABILITIES

Preferred Stock	$450,000.00	
Common Stock	400,000.00	
First Mortgage Bond, 5%	350,000.00	
Accounts Payable	5,000.00	
Surplus	110,000.00	$ 1,315,000.00

The Pontiac Electric Company, with an authorized Capital Stock of $500,000, had on the same day, assets and liabilities as follows:

ASSETS

Real Estate	$300,000.00	
Power Plant and Machinery	150,000.00	
Aerial Construction	125,000.00	
Underground Construction	100,000.00	
Sundry Assets	15,000.00	
Profit and Loss	10,000.00	$ 700,000.00

LIABILITIES

Capital Stock	$500,000.00	
Mortgage, 6%	100,000.00	
Accounts Payable	100,000.00	$ 700,000.00

The Detroit United Railway Company purchased securities of the Pontiac Electric Company in quantities and at prices as follows:

$400,000 of the Capital Stock at $125, payable in cash.

$50,000 of the Capital Stock at $130, payable with $30,000 of the preferred stock of the Detroit United Railway Company at $150 and cash to balance.

$100,000 of the bonds at $115, payable in the unissued common stock of the Detroit United Railway Company, at $93 and cash to balance.

$10,000 of the cash payable for the stock purchased to be passed to credit of Profit and Loss account of the Pontiac Electric Company by the vendors to cancel the charge of like amount to said account.

To provide funds to meet the above obligations and also to retire its 5% Mortgage Bonds at $105, the Detroit United Railway Company issued $1,000,000 of 4% Bonds and sold the entire amount for cash at 95%.

Assuming that the dividend of the Pontiac Electric Company declared during the year 1912 amounted to $25,000, and the profit of the Detroit United Railway Company from operating exclusive of interest on its bonded debt amounted to $100,000, to what extent has the profit and loss of the Detroit United Railway Company been affected, during the year, by reason of its acquisition of the securities of the Pontiac Electric Company and of the redemption of its own 5% Bonds. Show also the condition of accounts of the Detroit United Railway Company at the end of the year.

2. The Detroit Gas Light Company had operated a gas plant since the beginning of the year 1896. For the purpose of acquiring this industry, the American Gas Company was organized April 1, 1912, with a capital of $100,000, and after purchasing all of the capital stock of the Detroit Company, issued $100,000 of first mortgage 6% gold bonds, dated April 1, 1912, due April 1, 1942, interest payable January 1 and July 1, of each year.

June 20, 1912, the two companies were united by a certificate of merger and new books were opened. The accounts of the

Detroit Gas Light Company had not been closed at any time during the Company's existence, and at the date of the merger stood as follows:

Land and buildings, machinery, mains and franchises	$ 82,360.73	Capital	$ 50,000.00
Materials and tools	1,856.30	Bills payable	5,000.00
Coal, (including freight)	47,540.45	Accounts payable	2,679.81
Labor	50,668.73	Gas account	157,683.33
Repairs	13,872.46	Coke account	6,210.69
Water and other supplies	3,869.39	Tar account	4,500.54
Superintendent	3,500.00		
Salaries (clerks and collectors)	5,600.00		
Office expenses	2,100.00		
Insurance	1,435.00		
Taxes	4,237.10		
Interest	1,450.40		
Cash	2,251.47		
Consumers' Accts.	3,210.44		
Other Accts. Rec.	2,121.90		
	$226,074.37		$226,074.37

The inventory was as follows:

Coal	$400	
Coke	150	
Tar	100	$650

In acquiring the stock of the Detroit Company, paying organization expenses, etc., the American Company used all its capital stock and $90,000 first mortgage bonds, holding in reserve $10,000 of bonds for improvements.

Make the necessary journal entries to open the books of the new company and prepare a balance sheet dated June 20, 1912; also prepare a profit and loss account showing the average annual results of operating the old company.

3. The Michigan Manufacturing Company was incorporated under the laws of the State of Michigan, February 1, 1912, with a capital stock of $10,000,000, consisting of $4,500,000 (45,000 shares of $100 each) preferred 7% non-cumulative stock, and $5,500,000 (55,000 shares of $100 each) of common stock. On

the same date $2,000 of the common stock was subscribed for at par as follows:

By A. Van Oss	2 shares	$ 200
By T. L. W. Porte	4 shares	400
By Wiley T. Lyon	4 shares	400
By David Smith	3 shares	300
By William Leslie	7 shares	700

On February 4, 1912, these subscribers paid into the Company the amount of their subscriptions, and stock was issued to them. February 15, the balance of the authorized capital stock of the company, both preferred and common, was issued by resolution of the board of directors to A. A. Keiser, for and in consideration of $750,000 in cash and twelve (12) manufacturing plants. An inventory of the property purchased, made by authorized representatives of the company, resulted in the following appraised valuations on the various plants and the stocks on hand:

Factory	Materials and Supplies.	Merchandise	Real Estate	Buildings	Tools, Machinery, Etc.
A	$ 430,000	$ 95,000	$ 195,000	$ 20,000	$ 98,000
B	211,000	44,000	130,000	10,000	84,000
C	495,000	38,500	475,000	11,000	62,000
D	304,000	15,000	924,000	13,000	48,000
E	171,000	32,750	184,000	14,500	89,000
F	86,500	81,000	60,000	17,750	26,000
G	47,250	44,000	30,000	32,500	34,000
H	98,000	35,750	20,000	14,600	62,000
I	101,250	11,000	10,000	17,200	11,000
J	37,000	13,000	11,000	19,200	35,000
K	346,000	49,000	14,000	75,000	71,000
L	121,000	67,000	37,000	34,750	44,000
Totals	$2,448,000	$526,000	$2,090,000	$279,500	$664,000

Open the accounts of the company so that the result of the operation of each factory will be known at the end of the company's fiscal year. The books of the company are not to show the appraised valuation placed on the real estate, buildings, tools,

machinery, etc., by factories, but in one amount only; and it is desired that the account include any expenditure incurred by the company for good-will, etc.

Make opening entries in cash-book, journal, and ledger, covering in full the above transactions.

4. The Get-Rich Book Company, a corporation, goes into voluntary liquidation and the directors of the company, three in number, are designated as trustees in liquidation.

Below is a trial balance of the Company as of June 28, 1912, the date when its affairs are turned over to the trustees:

1	Capital Stock		$ 20,000.00
2	Cash	$ 553.69	
3	Office Furniture	1,666.92	
4	Meter Deposit	60.00	
5	Accounts Receivable	26,153.95	
6	Rogers & Co., monies collected for their acct		14,738.00
7	Notes Payable		27,573 50
8	Accounts Payable		4,197.22
9	Merchandise purchased	27,404.74	
10	Merchandise sales		8,045.35
11	Expense	10,751.97	
12	Loss and Gain	7,962.80	
		$ 74,554.07	$ 74,554.07

Value of Merchandise on hand, $20,183.86; other assets, (items 3, 4, and 5.), valued as in ledger. Trustees' cash receipts and payments as follows:

RECEIPTS

Balance on hand	$ 553.69
Meter Deposit	60.00
Office Furniture sold	487.90
Accounts Receivable collected	22,872.75
Additional Collections for Rogers & Co	1,965.24
Sales of Merchandise	22,090.70
Commission received from Rogers & Co	6,703.24

PAYMENTS

Notes paid	$ 27,573.50
Accounts paid	4,197.22
Merchandise bought	562.55
Expenses	5,697.01
Remitted Rogers & Co. in full	16,703.24

Accounts Receivable not collected are worthless. Prepare the accounts of the trustees in liquidation.

5. Three brothers, A, B, and C, own all the capital stock (each 1-3) of a certain corporation X. They own also, but not equally, 55% of the capital stock of a kindred corporation Y which is capitalized for $100,000, the par value of the shares being $10. The holdings of each in the Y corporation are as follows:

A	2222 shares
B	2222 "
C	1056 "

The three brothers, acting as the corporation X, purchase out of corporate funds the remaining 45% interest in the corporation Y, paying $100,000 therefor. Without further cost to X they now wish to merge the two corporations under the corporate name X and dissolve Y.

C proposed to make compensation to A and B individually for an equal interest in the 5,500 shares upon the same basis as the 45% interest was acquired so that all may share equally in the merged properties.

How much should C pay to each of the other stockholders? Outline the entries necessary to record all the above stated transactions on the books of X and Y.

6. A firm desires to transfer its property to a corporation duly organized to carry on the business. The net assets of the firm consist of the following:

Lands and Buildings	$150,000
Inventory	100,000
Accounts Receivable	150,000
Good Will and Patents	100,000
Cash	50,000
	$550,000

It is proposed to issue in full payment therefor, bonds, preferred stock, and common stock aggregating the sum of $500,000, of which each partner is to receive his proportionate share according to his interest in the firm, viz: Jones, 60%; Brown, 25%, and Smith 15%.

(a) Prepare opening entries for the new company.
(b) Prepare a statement of assets and liabilities.
(c) State what amount of each class of securities each of the partners should receive.

PRACTICAL ACCOUNTING

Thursday, June 12, 1913, 1:30 P. M. to 6:30 P. M.

First three and two of the last three required to be answered.

1. (30 credits)
The Imperial Manufacturing Company, authorized capital $1,000,000.00 Common, $1,000,000.00 Preferred, has called you in to assist in closing the books at the close of its fiscal year, December 31, 1912. The company operates three plants, the product of two of which is sold principally to the third at slightly above supposed cost.

IMPERIAL MANUFACTURING COMPANY

TRIAL BALANCE DEC. 31, 1912

Accounts Payable		$ 54,674.02
Accounts Receivable	$ 258,995.73	
Advances to Salesmen	5,530.98	
Advances to Plant No. 3	698.10	
Auto Trucks	5,745.00	
Cash in Bank	7,998.88	
Buildings Plant No. 1	150,200.00	
Buildings Plant No. 2	40,319.20	
Buildings Plant No. 3	36,548.11	
Building reserve for depreciation		31,249.62
Capital Stock—Common		750,000.00
Capital Stock—Preferred		750,000.00
Canadian Wheel Co.—Stock	70,000.00	
Goods returned	17,262.83	
Allowances	8,669.58	
Cash Discounts		5,706.41
Cash Discounts	3,692.32	
Electrotypes	1,800.00	
Furniture and Fix., Plant No. 1	13,854.85	
Furniture	1,747.91	
Administrative expenses:		
Stationery and Printing	4,169.85	
Telephone and Telegraph	2,921.00	
Postage	2,532.04	
Donations	3,964.49	
Sundry Administrative Expense	5,519.46	
Legal	22,870.17	
Salaries	59,263.27	

Goods shipped "No charge".....	3,891.81	
Interest expense	3,678.04	
Interest earned		339.74
Machinery Plant No. 1.....	165,240.80	
Machinery Plant No. 2.....	55,540.12	
Machinery Plant No. 3.....	65,000.00	
Imprest Cash	125.00	
Machinery reserve for Depreciat'n		74,008 19
Royalty on patents owned.....		3,232 50
Notes payable		45,500 00
Royalty on patents leased.....	2,266.00	
Notes receivable	5,705.17	
Patents and Trade-Marks	750,000.00	
Patterns	36,309.31	
Profit and Loss Current	25,751.24	
Real Estate	49,700.00	
Restaurant Operating	545.22	
Restaurant Equipment	325.54	
Sales Plant No. 1		1,242,046.48
Sales Plant No. 2		7,351.94
Sales Plant 2 to Plant 1		135,006.64
Sales Plant 3 to Plant 1		64,190.20
Deferred Experimental Charges..	28,514.09	
Selling Expense	112,581.28	
Treasury Stock	8,300.00	
Surplus, 1911		203,313.71
Gain account Re-appraisal of Real Estate and Machinery		50,000.00
Accrued Pay Roll		3,419.66
Accrued Commissions		5,619.68
Reserved for Bad Debts		18,903.87
Dividend No. 20	45,000.00	
Factory Ledger	1,361,785.27	
	$ 3,444,562.66	$ 3,444,562.66

The factory ledger contains the following accounts:

	Plant 1	Plant 2	Plant 3
Insurance .....$	1,506.09	$ 310.00	$ 350.21
Inventories, Raw Materials, 1-1-12.....	92,970.00	7,480.21	19,899.76
Inventories, Finished Material, 1-1-12..	117,981.56	1,199.58	23,027.66
Inventories, Supplies Material, 1-1-12..	8,007.67	1,201.38	1,188.81
Purchases Material	381,582.98	38,236.12	24,530.58
General Factory Expense	19,147.34	10,437.50	2,799.60
Fuel and Power	4,181.60	1,321.22	1,272.76
Engineering Department	7,476.44		

Drafting Room Dept. Salaries.....	19,452.34		1,983.94
Drafting Room Material	1,784.39		209.82
Stock Coke Purchased		697.17	
Moulding Sand Purchased		1,596.30	
Core Sand		218.04	
Non-Productive Labor	32,780.08	8,115.95	9,621.14
Productive Labor	176,929.89	71,430.98	19,611.94
Freight	26,120.92	3,079.08	1,923.27
Installing and Erecting Product.....	12,197.64		
Taxes	6,190.20	1,921.16	616.01
Castings delivered by Plant 2.....	135,006.64		
Motors delivered by Plant 3.....	64,190.20		
Inventories, Raw Material, 12-31-12...	112,262.88	12,423.73	22,711.06
Inventories, Finished Material, 12-31-12	148,693.85	4,127.28	30,361.62
Inventories, Supplies Material, 12-31-12	9,522.92	1,550.86	1,041.74

Compute depreciation as follows:

On auto trucks, 20% on $2,745.00, 10% on $3,000.00; on Buildings, 5%; on Machinery, 10%; on Office Furniture, Plant (1) 10%, Plant (2) 5%; on Restaurant Equipment, 25%. You find bad accounts fully provided for on the books. Insurance expires December 31st, noon. Discount on banks loans paid not accrued $1,012.20. Interest on borrowed money accrued, not paid, $576.08. The items of Insurance and Taxes are to be considered as applying solely to Manufacturing. Prepare a comprehensive operating statement showing results of each plant and entire business and prove same by a Balance Sheet. Show the Surplus account in analytical form.

2. (15 Credits)

Prepare on form provided a true report of the business of the above company for the year for the Internal Revenue Bureau.

3. (15 Credits)

The Internal Revenue Bureau one year later, objects to the inclusion among expenses in the report of all charges for bad accounts not actually written off; to depreciation on account of same not appearing on the books until after closing; and renders a demand for additional tax. State the amount of the extra tax demanded.

4. (20 Credits)

The Home Savings Bank and the Wayne County Savings Bank agree to consolidate; Capital Stock, $2,000,000.00. To facilitate the merger the former agrees and does sell its remaining shares of authorized capital of $1,000,000.00 at $320.00, and charges

off Furniture and Fixtures. The Real Estate and Banking Houses of both institutions are reappraised and the value adjusted on the new books at $483,690.00 combined. The Wayne County Bank declares and pays a 20% dividend payable to stockholders of date. The accrued interest and expenses of each institution are not considered except as they may have been reserved for. Show the result of the merger in statement form; the resultant book value of the shares of the combination and the necessary journal entries to effect the closing of the old books and the opening of the new, all effective April 4, 1913.

Following is the condition of each, April 4, 1913:

HOME SAVINGS BANK

Resources		*Liabilities*	
Loans & Discounts, viz:		Capital Stock paid in...	$ 996,400.00
Commercial Dept.....	$ 3,255,014.52	Surplus Fund	996,400.00
Savings Dept.....	2,938,090.06	Undivided Profits net ..	103,931,53
Bonds, Mtges. and Securities	4,986,142.82	Com. Deposits subject to check	2,225,028.46
Overdrafts	131.03	Com. Certificates of Deposit	36,898.95
Banking houses	356,657.00	Certified Checks	19,916.17
Furniture and fixtures..	10,320.96	Cashier's Checks outstanding	22,252.97
Other real estate	1,834.56	Due to Banks and Bankers	79,766.48
Items in transit	10,841.21	Savings Deposits (book accounts)	9,113,276.86
Reserve		Savings Certificates of Deposit	246,467.81
Commercial:			
Due from Banks in Reserve Cities	486,627.29		
Exchanges for Clearing House	128,015.02		
U. S. and Nat'l Bank Currency	212,730.00		
Silver coin	17,643.00		
Nickels and Cents	163.16		
Savings:			
Due from Banks in Reserve cities	956,623.79		
U. S. and Nat'l Bank Currency	278,868.00		
Gold coin	200,020.00		
Checks and other cash items	616.81		
	$13,840,339.23		$13,840,339.23

WAYNE COUNTY SAVINGS BANK

Resources		*Liabilities*	
Loans & Discounts	$ 4,125,487.49	Capital Stock paid in	$ 1,000,000.00
Bonds, Mtges. and Securities	9,855,885.10	Surplus Fund	1,000,000.00
Banking house	125,000.00	Undivided Profits, net	541,008.49
Reserve		Savings Deposits (book accounts)	13,308,920.17
U. S. Bonds	1,754,471.00	Savings Certificates of deposit	708,144.24
Due from Banks in Reserve Cities	30,451.00	Reserved for taxes, interest, etc.	29,398.95
U. S. and National Bank Currency	339,284.00		
Gold Coin	334,600.00		
Silver Coin	5,215.95		
Nickels and Cents	17,072.31		
Checks and other cash items	5.00		
	$16,587,471.85		$16,587,471.85

5. (20 Credits)

The Alpha Quarries Company on January 1, 1913, call you in to straighten out the books. You find the following items on the Trial Balance:

Coal	$ 900.00	
Expense	500.00	
First National Bank	12,160.87	
Insurance	484.70	
Land and Improvements	100,000.00	
Machinery and Tools	22,143.70	
New Plant	17,927.20	
New Process	1,000.00	
Old Plant	17,000.00	
Bond Account		$ 17,872.14
Profit and Loss		69,909.99
Repairs	750.00	
Sand	1,890.00	
Stock		75,000.00
Stripping	543.98	
J. C. Rollins		235.00
D. H. Brill		8,500.00
E. J. Brill		1,500.00

C. Austin	1,300.00	
American Car & Foundry Co.		1,689.99
R. B. Brill	2,238.00	
R. B. Brill		5,000.00
F. Howell	3,081.59	
F. Howell, Special		10,000.00
Accounts Receivable	7,787.08	
	$189,707.12	$189,707.12

It develops that on March 1, 1912, a first mortgage had been placed upon the entire property of the company to secure a bond issue of even date $100,000.00, 6% interest payable semi-annually after January 1, 1913. The Desirable Trust Co. was the trustee under the mortgage and money was secured and deposited from time to time on sale of the bonds as follows:

April	9-12	$7,000.00	$95.00 and accrued interest
	10-12	1,000.00	95.00 " " "
	12-12	3,000.00	90.00 " " "
	13-12	3,000.00	87.50 " " "
	16-12	2,000.00	87.50 " " "
May	1-12	500.00	90.00 " " "
	25-12	7,000.00	90.00 " " "
	25-12	5,000.00	90.00 " " "
	28-12	14,500.00	90.00 " " "
July	16-22	5,000.00	95.00 " " "
Dec.	6-12	1,000.00	95.00 " " "

The analysis of the book account for proceeds from bonds, including the above sales, appears as follows:

DEBIT

April	4-12	Interest paid on old Mortgage	$ 22.36
		½% Mortgage tax	500.00
		Trustee's fee	173.59
	27-12	Stationery re Bond Issue	8.20
May	1-12	Attorney's Fees	550.00
Dec.	30-12	Bond Interest	2,450.00
		Trustee account handling coupons	37.50
			$3,741.65

CREDIT

April 18-12	Sale of $16,500 Bonds and Interest..	$ 15,386.09
Sept. 13-12	Interest on Deposit	181.50
Dec. 6-12	Sale of Bonds and Interest.....	995.83
Dec. 13-12	Sale of Bonds	4,862.50
	Interest on Deposits	181.50
	Interest on Deposits	6.37
		$ 21,613.79

A stock dividend of 66 2-3% was declared payable as of April 1, 1912, coincident with an increase in authorized capital from $75,000,00 to $200,000.00. Additional stock was subscribed as follows:

R. B. Brill	$ 5,000.00
F. Howell	10,000.00
E. J. Brill	1,500.00
D. H. Brill	8,500.00
J. C. Rollins	7,000.00
Geo. S. Smart	1,000.00

The Smart item was paid for by Engineering services in connection with the new plant.

Formulate journal entries in adjustment of the books and show corrected Trial Balance.

6. (20 Credits)
Under Section 22 of the Workingmen's Compensation Law parties agree to liquidate the liability for a claim calling for the payment of ten dollars per week indemnity to an employee for five weeks. State the amount which should be paid as a lump sum and show method of computing same. The law reads as follows:

"Whenever any weekly payment has been continued for not less than six months, the liability therefor may be redeemed by the payment of a lump sum agreement of the parties, subject to the approval of the industrial accident board, and said board may at any time direct in any case, if special circumstances be found which in its judgment require the same, that the deferred payments be computed on the present worth thereof at five per cent per annum to one or more lump sum payments, and that such payments shall be made by the employer or the insurance company carrying such risk, or commissioner of insurance, as the case may be."

PRACTICAL ACCOUNTING

Friday, December 26, 1913, 1:30 P. M. to 6:30 P. M.

First two and two of the last four problems required to be answered.

1. (25 Credits)

A proposed merger of four manufacturing companies involves combined Assets and Liabilities as follows:

Cash in Bank	$ 14,479.00
Reserve for Bad Debts	34,050.00
Good-will and Patents	293,132.00
Reserve for depreciation of Good-will and Patents	159,849.00
Reserved for Corporation Taxes	5,000.00
Dividends accrued on Preferred Stock	875.00
Pay roll accrued	44,893.00
Buildings	332,637.00
Bills Receivable—Customers	2,333.00
Invested in Notes of other Corporations	190,129.00
Accrued interest on Notes of other Corporations	2,000.00
Accounts Receivable	345,478.00
Inventories	1,471,201.00
Sundry debtors	29,191.00
Reserve for Depreciation of Plant	346,144.00
Securities owned	14,552.00
Reserved for loss on Securities Owned	1,455.00
Real Estate	46,075.00
Deferred charges to future operation	9,350.00
Accounts Payable	176,888.00
Machinery and Equipment	862,920.00
Unclaimed Pay	728.00
Furniture and Fixtures	27,762.00

The Consolidated Tool Company is incorporated under the Michigan laws to take over the business of the four companies. Authorized capital, Preferred $500,000.00, Common $1,000,000.00, par value of shares $100.00 each. It is arranged that the minimum number of share holders subscribe and pay in cash one share each of common to effect the incorporation, and that the remaining shares be subscribed by and issued to the Peninsular Trust Company to be divided under agreement

among the stockholders of the old companies. Co-incidently an issue of 5% First Mortgage Bonds is made in amount of $1,500,000.00 of which $125,000.00 are retained in the Treasury. Reorganization expenses paid out of the funds of the company, $10,250.00.

(1) You are asked to make the opening entries of the Consolidated Tool Company.

(2) Exhibit the statement of condition.

2. (25 Credits)
Determine from the following particulars the book balances of Plant B of the United Finishing Company, January 1, 1913, and raise intermediate accounts. All purchases are made by the main office as well as payments of wages, expenses, etc. Sales are made direct and collections are remitted to the main office in the same form as received. The operations during the year 1913 were as follows:

Raw Material and Supplies purchased	$320,000 00
Wages accrued and paid	125,000.00
Expenses distributed to operations	70,000.00
Expenses accrued and paid	75,000.00
Charge Sales	425,000.00
Cash Sales	500.00
Cost of finished product	400,000.00
Cost of sales	380,000.00
Allowances to customers	5,000.00
Collections from charge customers	410,000.00
Raw material entered manufacture	300,000.00

The following balances appear on closing:

Inventory (raw)	25,000.00
Imprest Cash	1,000.00
Accrued Payroll Liability	2,000.00
Inventory in Process	142,000.00
Expenses not distributed to operating	15,000.00
Accounts Receivable—Good	70,000.00
Accounts Receivable—Doubtful	5,000.00
Inventory (finished)	34,500.00
Reserved for Bad Debts	5,000.00
Surplus	20,500.00

3. (25 Credits)

The Star Department Store organized January 1, 1911, suffers a complete fire loss just before inventory December 31, 1913. The books disclose the following facts:

	Dec. 31-11	Dec. 31-12	Dec. 31-13
Inventory beginning	$ 44,244.04	$ 51,894.68	$ 50,396.40
Purchases during year	171,133.33	173,478.81	157,188.09
Allowances on Purchases	11,900.12	15,182.62	8,293.54
Sales	197,474.49	209,397.00	195,937.98
Allowances on sales	4,294.37	4,594.50	5,179.19
Advertising	3,487.39	3,334.45	2,987.56
Salaries	8,295.92	9,196.72	9,196.72
Wages	16,684.30	16,628.75	17,531.22
Delivery	567.34	567.38	1,053.34
Depreciation of Furniture	169.31	372.92	112.94
Stationery and Printing	282.40	309.30	300.00
Gas	75.09	45.55	62.02
Rent	5,350.00	5,400.00	5,400.00
Insurance	927.15	856.42	770.40
Interest	1,571.02	1,506.89	1,695.80
Light	612.53	567.40	525.66
Water	29.21	28.51	27.63
Taxes	438.80	597.00	891.07
Telephone	33.75	52.27	54.00
General	2,041.30	3,343.37	2,581.32
Traveling	352.94	351.93	278.28
Furn. and Fix. Depreciated	9,000.00	9,500.00	10,500.00

You are asked by the appraisers:

(1) To determine the value of assets destroyed.

(2) Arrive at correct amounts to effect a complete adjustment under the following concurrent policies containing the 80% co-insurance clause:

Home Insurance Co.	$10,000.00	$2,000.00
Glen Falls Insurance Co.	15,000.00	3,000.00
Globe Insurance Co.	5,000.00	1,000.00
Equitable Insurance Co.	10,000.00	2,000.00

(3) Assuming the property loss to have been 50% what amounts would have been the proper adjustments?

4. (25 Credits)

What must be paid for a bond $1,000.00 par maturing in ten years with 4% interest payable semi-annually to net the purchaser 6%? Show method.

5. (25 Credits)

You are asked by an individual (married) to prepare a form of return for making application for deductions as provided by the federal income tax law of October 3, 1913.

You find his income and expenditures for year ending December 31, 1913, to be as follows:

	Expenses	Income
Salary		$10,000.00
Interest on Real Estate Mortgage		960.00
Dividends U. S. Steel Corporation		1,200.00
Rentals		2,200.00
Interest, Bonds U. S. Steel Corp'n		1,000.00
Interest, U. S. Government 3s		2,400.00
Interest, City of Detroit 4s		4,000.00
Gain Sale of Real Estate		500.00
Inheritance, Stock Penna. Ry. Co, Par		25,000.00
Life Insurance Benefit		5,000.00
Special fee as commissioner of estate		500.00
Allowance to wife	$ 2,000.00	
Household expenses, including rent	9,620.00	
Fire Loss, Tenement property (net)	650.00	
Interest Bank Loans	5,400.00	
Life Insurance Premiums	600.00	
Taxes, City, State and County	220.00	
Automobile	2,500.00	
Charitable donations	400.00	
Losses Stock Exchange operations	4,400.00	
Losses Bad Debts	1,750.00	
Taxes—Special Paving	50.00	
Depreciation of Buildings	1,000.00	

Prepare in brief statement form your understanding of the effect of the law in relation to this individual's affairs.

6. (25 Credits)

The Trial Balance of the Yellow Pine Timber Co., on January 1, 1912, was as follows:

Cash	$ 2,618.03
Accounts Receivable	21,111.17
Inventory	36,133.32
Unexpired Insurance	559.44
Plant and Equipment	352,109.75
Timber and Lands	551,539.31

Preferred Claims		$ 37,011.99
First Mortgage Bonds, 6s		212,500.00
Bond Interest Accrued		4,533.24
Unsecured Creditors		64,471.64
Capital Stock		400,000.00
Surplus		245,554.15
	$964,071.02	$964,071.02

Not being able to meet their current obligations, the Commercial Trust Co. was appointed Receiver on January 1, 1912.

The transactions under the receivership for the year following are hereby summarized:

Purchased Logs (Half of which were paid for in cash and the balance on credit.)	$9,646.22	
Operating Expenses	$202,972.81	
Commissions		4,214.14
Demurrage		326.00
Freight, Inward		585.53
General Expense		4,837.40
Salaries		12,000.00
Shipping Expense		13,574.10
Taxes		1,421.00

All paid for in cash.

Allowance for stumpage cut amounting to $50,000.00 was credited to timber account. Interest on bonds to December 31, 1912, was paid in full and the outstanding bonds reduced to $200,000.00, December 31, 1912, at 101. Sales amounted to $450,000.00 gross, of which $300,000.00 was received in cash.

Freight allowance to customers	$70,510.00	
Discounts received		500.00
Discounts allowed		556.33
Profit from Commissary		5,000.00
Sundry Income		3,500.00

The accounts receivable of January 1, 1912, realized $20,000.00 net. Preferred claims were paid in full. Depreciation of $3,500.00 was allowed on plant and equipment. Unexpired insurance on December 31, 1912, amounted to $125.00. Inventories, $40,000.00.

Prepare Realization and Liquidation Account, Cash Account and Balance Sheet December 31, 1912.

PRACTICAL ACCOUNTING

Friday, June 26, 1914, from 1:30 P. M. to 6:30 P. M.

First three required and one of the last two.

1. The Trial Balance of the National Manufacturing Company, as at December 31, 1913, before closing books, is given below. In addition to the information obtainable from the trial balance, the following data must be taken into consideration in closing:

Insurance unexpired apportioned ½ and 2 in trial balance order ..... $ 250.00
Inventory Mdse. December 31, 1913..... 90,000.00
Inventory Tools, December 31, 1913..... 4,500.00
Inventory Patterns December 31, 1913..... 4,000.00
Depreciation on Buildings at rate of 2½%
Depreciation on Machinery at rate of 10%
Depreciation on Patents at rate of 6%
Depreciation on Office Furniture & Fixtures at rate of 10%

Half of one per cent of net sales reserved for bad debts.

As the company owns its own plant, its custom is to treat investment in real estate and buildings as a separate investment from which it expects to receive 5%, and to charge cost of maintenance, plus interest on investment, to the cost of manufacturing as rent.

Prepare closing entries and following statements:

1. Balance Sheet, January 1, 1914.
2. Real Estate Operating Account.
3. Manufacturing, Trading, and Profit and Loss Accounts.
4. Surplus Account.

No deferred charges, other than insurance premium, are to be considered.

NATIONAL MANUFACTURING COMPANY
TRIAL BALANCE, DECEMBER 31, 1913

Real Estate	$ 25,000.00
Buildings	50,000.00
Machinery	40,000.00
Tools	7,000.00
Patents	25,000.00
Patterns	5,000.00
Merchandise Purchases	420,000.00
Bills Receivable	1,500.00

Accounts Receivable	250,000.00	
Insurance—Buildings	300.00	
Insurance—Machinery and Tools	500.00	
Insurance—Merchandise	650.00	
Taxes—Real Estate	1,500.00	
Interest—General	7,000.00	
Bond Interest	2,500.00	
Cash in Banks	45,000.00	
Labor—Productive	310,000.00	
Labor—Non-Productive	55,000.00	
Power	21,000.00	
Repairs to Buildings	950.00	
Repairs to Machinery	1,310.00	
Employer's liability Insurance	4,000.00	
Office Payroll	18,000.00	
Inventory Mdse., Jan. 1, 1913	75,000.00	
Return Sales	41,000.00	
Factory Expenses	3,010.00	
Merchandise Sales		$ 1,090,500.00
Allowances	$ 10,900.00	
Office Furniture and Fixtures	5,700.00	
Salaries to Officers	15,000.00	
Postage	2,000.00	
Telephone and Telegraph	1,800.00	
Taxes—Personal Property	1,000.00	
Collection and Exchange	700.00	
Stationery and Printing	3,050.00	
Freight In	23,000.00	
Freight Out	11,000.00	
Cartage and Express	3,750.00	
Bonding of Employees (Office)	250.00	
Traveling Expenses—Salesmen	17,500.00	
Salesmen's Salaries and Com.	40,000.00	
Bad Debts	7,400.00	
Bond Issue		40,000.00
Bills Payable		100,000.00
Accounts Payable		43,000.00
Surplus		39,020.00
Capital Stock		200,000.00
Reserves—		
Building		5,250.00
Machinery		12,500.00
Patents		7,500.00
Office Furniture and Fixtures		2,500.00
Bad Debts		13,000.00
	$ 1,553,270.00	$ 1,553,270.00

2. By reason of the death of its founder, the J. E. Smith Wire & Iron Company organized in 1885 is obliged to reorganize or consolidate with your client, a competitor concern. A tentative offer is made by the attorney for the heirs. The following facts are issued by the attorney, together with accompanying proposition:

Assets		*Liabilities*	
Cash on Hand and in Bank	$ 920.00	Wages Payable	$ 4,000.00
Accounts Receivable	89,000.00	Accts. Payable	75,000.00
Bills Receivable	30,000.00	Bills Payable	115,000.00
Merchandise	150,000.00	Accrued Charges	1,590.00
Plant, Machinery and Equipment	250,000.00	Capital	100,000.00
Deferred Charges	880.00	Surplus	225,210.00
	$520,800.00		$520,800.00

Annual Sales	$500,000.00
Expenses	450,000.00
Annual Profits	$ 50,000.00

Attorney offers to sell for the amount of the net earnings capitalized at 5%.

On examination you find the following record and facts:

	Net Sales	Cost of Sales	Selling Exp.	Admin. Exp.	Net Profit
1909	$350,000.00	$200,000.00	$50,000.00	$40,000.00	$60,000.00
1910	400,000.00	250,000.00	60,000.00	45,000.00	45,000.00
1911	450,000,00	300,000.00	70,000.00	50,000.00	30,000.00
1912	550,000.00	400,000.00	80,000.00	55,000.00	15,000.00
1913	500,000.00	360,000.00	75,000.00	15,000.00	50,000.00

Analysis of the expenses shows that the various elements are regular except that the proprietor's salary which had appeared for several years at $25,000.00 had not been credited in 1913, but appeared as a charge among Accounts Receivable. Other accounts receivable warranted a scaling down on account of doubtful debts extending over three years respectively: 1911, $6,000.00; 1912, $9,000.00; 1913, $10,000.00; total, $25,000.00. Bills Receivable were uncollectable to the amount of: 1911, $3,000.00; 1912, $2,000.00; 1913, $4,000.00.

Inventory was found to include obsolete and defective stock to the amount of $20,000.00, distributable over the 5 years. Liabilities on account of Merchandise purchased and inventoried, but omitted from the books, $10,000.00. You find that no appraisal has ever been made of the plant and equipment, and no depreciation charged off during the history of the business, although the plant is in good repair.

Prepare a report to your client making such recommendations as you consider feasible, and containing such exposition of facts by way of Exhibits as you consider necessary to convince.

3. What methods would you adopt to determine the value of stock or merchandise on hand at an odd date in case of total loss by fire in a manufacturing business, under each of the following several conditions:

   1. Inventories taken in detail annually on closing only?
   2. Running inventories kept on cards by quantities only, except as to work in progress and under a system of estimating costs for finished product?
   3. Running inventories kept on ledgers according to true cost in value and quantities, but not posted for 3 months back, and posting media destroyed though general books intact?

4. The Standard Trust Company is appointed by the Peninsular Mining Company as Trustee of a Bond Issue, aggregating $1,000,000.00, all Bonds of $1,000.00 denomination, rate 5% and bearing date January 1, 1914. Bonds mature in ten equal annual installments, beginning January 1, 1917, unless previously converted or retired.

   The issue is not purchased by the Trustee, but is sold through Emory Davis & Company, Brokers, the Company realizing 90% and accrued interest less the cost of appraisal of property, printing, trustees' expenses, etc., amounting to $9,310.80.

   The entire issue was taken over, and paid for by the brokers on January 20, 1914.

   Among other things the trust deed provides:

   > Bonds convertible on any interest date for 6% preferred stock at 90%, at option of holder.
   >
   > Bonds may be retired out of surplus on any interest date at 103, at option of company.

Sinking fund for payment of principal only to be based on production of ore at ten cents per ton.

Trustee to charge ¼% of Principal on issue, and ¼% on coupons.

Interest payable January 1st and July 1st.

The company's production for three years is assumed to be, for the purpose of this problem, 1,000,000 tons per year.

January 1, 1916—$100,000.00 are converted to preferred stock.

January 1, 1917—$200,000.00 are redeemed at 103.

Formulate all necessary entries for books of:

(a) Standard Trust Company.
(b) Peninsular Mining Company.
(c) Emory Davis & Company.

which may be occasioned by the above incidents to and including January 1, 1917.

5. The Estate of Hiram West, of which you are appointed administrator, is appraised as follows on January 10, 1913:

Shares of First National Bank		$100,000.00
500—par $100.00 value.		
Shares of United Mercantile Co.....		6,000.00
60—par value $100.00 value.		
Bonds of Southern Lumber Corporation.....		4,500.00
5—par $1,000.00 value.		
Real Estate:		
Residence 168 F Street		5,500.00
Vacant 2 Lots E Street		2,000.00
Cash on person		82.00
Cash in Bank—Savings Acct.....	$6,220.00	
Accrued Int.....	31.10	6,251.10
Household Furniture, Jewelry, etc., as per Schedule		1,000.00
Automobile		500.00
		$125,833.10

The following transactions appear from your Cash Book:

Receipts		*Disbursements*	
1913			
Jan. 10 Balance	$ 82.00	Jan. 20 Letters Test'y	$ 1.00
Feb. 1 First Nat. Bk. Div.	2,000.00	Jan. 28 Claims allowed:	
Feb. 2. United Mer. Co. Div.	300.00	Groceries	25.00
		Gas Bill	3.80
Mar. 1 Southern Lbr. Co. Int.	300.00	Widow's Allowance, Jan.	150.00
		Coal	83.00
May 10 First Nat. Bk. Div.	2,000.00	Funeral Exp.	350.00
June 15 Savings Acct. Int.	83.30	Physician	200.00
June 15 Sale of Residence.	6,500.00	Funeral Notice ...	3.20
July 10 First Nat. Bk. Div.	2,000.00	Commissions	150.00
Aug. 2 United Mer. Co. Div.	300.00	Administrator's Bond	25.00
Aug. 10 First Nat. Bk. Div.	2,000.00	Feb. 28 Widow's Allowance	150.00
Sept. 1 Southern Lbr. Co. Int.	300.00	Mar. 31 Widow's Allowance	150.00
Nov. 10 First Nat. Bk. Div.	2,000.00	Apr. 30 Widow's Allowance	150.00
Dec. 15 Savings Acct. Int.	83.30		
Dec. 15 Sale lots	1,800.00	May 31 Widow's Allowance	150.00
		June 15 Commissions on Sale of Property	195.00
		Legal Expenses....	180.00
		June 30 Widow's Allow....	150.00
		July 31 Widow's Allow....	150.00
		Aug. 31 Widow's Allow....	150.00
		Sept. 30 Widow's Allow...	150.00
		Oct. 31 Widow's Allow...	150.00
		Nov. 30 Widow's Allow....	150.00
		Dec. 15 Commission Sale of Lots	90.00
		Dec. 31 Widow's Allowance	150.00
		Balance.....	16,642.60
	$19,748.60		$19,748.60

Prepare first and final account, computing administrator's fees at statutory rate in Michigan, and arrange a division among three heirs in equal amounts.

PRACTICAL ACCOUNTING

Wednesday, December 23, 1914, from 8:00 A. M. to 1:00 P. M.

Problems 1, 2, 3, and one of last two required. Ten credits allowed for neatness and general appearance.

1. (25 Credits)

The General Manufacturing Company's books show the following Assets and Liabilities, January 1, 1914:

Real Estate and Buildings	$ 1,190,000.00
Machinery, Tools and Equipment	1,430,000.00
Office Furniture and Fixtures	8,160.00
Reserve for Depreciation	157,000.00
Inventory	733,090.00
Bank Balance	68,000.00
Imprest Cash	1,330.00
Non-Negotiable Notes Receivable	35,000.00
Bills Receivable	717.00
Accounts Receivable	289,256.00
Prepaid Expenses	9,279.00
Investments	9,500.00
Patents	1,276,000.00
Preferred Stock	1,000,000.00
Common Stock	2,600,000.00
First Mortgage Bonds, 5%	120,000.00
Second Mortgage Bonds, 6%	398,000.00
Debenture Bonds, 5%	153,000.00
Bills Payable, Banks	545,000.00
Bills Payable, Trade	57,000.00
Accounts Payable	108.000.00
Accrued Pay Roll	30,000.00
Accrued Bond Interest	9,000.00
Bills Receivable, Discounted	23,623.00

The following aggregate entries are found to have affected the respective accounts during the current year:

Purchase of Material and Supplies	$ 306,000.00
Pay Rolls	312,000.00
Factory Expenses	18,000.00
Freight and Express (Inbound)	1,000.00

Administrative Expenses	27,000.00
Selling Expense	8,000.00
Interest on Bills Payable	22,000.00
Miscellaneous Interest Expense	500.00
Interest Received	1,000.00
Sales	882,000.00
Returns and Allowances	4,000.00
Bad Debts and Special Allowances	32,000.00
Freight on Goods Sold	2,000.00
Machinery, Tools and Equipment (Additions)	37,530.00
Office Furniture and Fixtures (Additions)	800.00
Machinery, Tools and Equipment Sold	19,000.00
Patents (Additions)	10,000.00

The following net changes occur in the respective accounts during the year:

	Debit	Credit
Reserve for Depreciation		$ 825.00
Bank Balances	$ 25,000.00	
Non-Negotiable Notes Receivable	5,000.00	
Imprest Cash		200.00
Bills Receivable	2,000.00	
Accounts Receivable	35,000.00	
Prepaid Expenses	1,000.00	
Bills Payable, Banks		67,700.00
Bills Payable, Trade	57,000.00	
Accounts Payable	67,000.00	
Accrued Bond Interest		6,000.00
Accrued Pay Roll	8,000.00	
Bills Receivable Discounted		5,000.00
Inventory		50,000.00

You find that the entire interest on First and Second Mortgage Bonds, amounting to $29,880.00, has been added to Machinery and Tools, and interest on Debenture Bonds, amounting to $7,650.00, has been charged to Administrative Expenses.

Prepare a Balance Sheet, Manufacturing, Trading and Profit and Loss Account for presentation at the close of the year, making reasonable adjustments for Depreciation considerations and application of interest.

2. (25 Credits)

The following is a Trial Balance of the Advance Grocery Company at close of business, December 31, 1913:

	Debit	Credit
Cash on Hand	$ 387.50	
Cash in Bank	7,893.50	
Notes Receivable	12,700.00	
Accounts Receivable	80,000.00	
Sundry Accounts	1,500.00	
Merchandise Account		$172,500.00
Suspense Account	7,570.00	
Real Estate	150,000.00	
Buildings	75,000.00	
Good Will	40,000.00	
Rent		2,750.00
Taxes	2,700.00	
Insurance	1,800.00	
Pay Roll	15,720.00	
General Expense	20,680.00	
Accounts Payable		50,750.00
Land Contract		20,700.00
Capital Stock		148,250.00
Surplus		21,001.00
	$415,951.00	$415,951.00

The books of original entry include a Purchase Record in which entry is made for each purchase invoice, and from which postings are made to the Accounts Payable Ledger, a Cash Received Record, Check Register, and Journal.

From the above information prepare a plan of audit to be used by a junior accountant in conducting an audit of the books. The business was incorporated January 1, 1913, and the audit is to cover the operations from the inception of the business.

3. (20 Credits)

The District Machine Company operates a factory cost system controlled by a double entry factory ledger the opening balances in which appear January 1, 1914, in part as follows:

Undistributed Burden	$ 15,000.00
Raw Material	100,000.00
Work in Process	250,000.00
Finished Product	98,000.00
Accrued Pay Roll	7,000.00

The following represent the total of the operations for given period:

Raw Material Purchased	$225,000.00
Pay Rolls	155,000.00
Productive Labor Distribution	150,000.00
Department Overhead	315,000.00
Raw Material Consumed	250,000.00
Product at Cost	825,000.00
Department Overhead Distributed	325,000.00
Sales at Cost	905,000.00

Raise the necessary controlling accounts to show the ledger record of the above operations together with trial balance at the end of the period.

4. (20 Credits)
What amount, including interest, must be set aside annually to provide a sinking fund sufficient to retire an issue of bonds amounting to $100,000.00 originally sold at 90, interest payable semi-annually at 6% and maturing in ten equal annual installments after the fifth year? Show method.

5. (20 Credits)

ACME MANUFACTURING COMPANY
TRIAL BALANCE, DECEMBER 31, 1914

Cash on Hand and in Bank	$ 5,000.00	
Notes Receivable	7,500.00	
Accounts Receivable	30,500.00	
Inventory Jan. 1, 1914	115,000.00	
Materials Purchased	285,000.00	
Productive Labor, Dept. A	100,000.00	
Productive Labor, Dept. B	50,000.00	
Manufacturing Exp., Dept. A	67,000.00	
Manufacturing Exp., Dept. B	46,000.00	
General Mfg. Expense	12,000.00	
Selling and Distributing Expense	17,000.00	
Administrative Expense	28,500.00	
Cash Discount Allowed	4,500.00	
Cash Discount Taken		$ 7,500.00
Gross Sales, Dept. A		412,000.00
Gross Sales, Dept. B		328,000.00
Returns and Allowances, Dept. A	6,800.00	
Returns and Allowances, Dept. B	3,200.00	
Real Estate	200,000.00	
Buildings, Dept. A.	100,000.00	

Buildings, Dept. B	50,000.00	
Mach'y and Equipment, Dept. A	47,500.00	
Mach'y and Equipment, Dept. B	32,500.00	
Office Furniture and Fixtures	5,000.00	
Prepaid Insurance	420.00	
Prepaid Taxes	780.00	
Accounts Payable		18,750.00
Notes Payable		40,000.00
Accrued Pay Rolls		8,000.00
Mortgage Payable		75,000.00
Reserve for Bad Accounts		4,950.00
Capital Stock—Authorized and Issued		300,000.00
Surplus		20,000.00
	$1,214,200.00	$1,214,200.00

Inventories:

	Dec. 31, 1913	Dec. 31, 1914
Raw Stock	$35,000.00	$20,000.00
Work in Progress, Dept. A	60,000.00	70,000.00
Work in Progress, Dept. B	20,000.00	10,000.00

Raw stock was issued to departments during the year in the following percentages:

To Dept. A, 2-3. To Dept. B, 1-3.

No credit was given to the raw stock account.

It was found that prior to January 1, 1914, depreciation was credited direct to the capital assets as follows:

Buildings, Dept. A	$20,000.00
Buildings, Dept. B	10,000.00
Machinery and Equipment, Dept. A	15,000.00
Machinery and Equipment, Dept. B	12,000.00
Office Furniture and Fixtures	2,000.00

No depreciation has been included in the current year's operations, but sufficient reserve has been created for bad accounts. There has been no change in the capital asset accounts during the current year.

Make any adjustments you deem necessary, covering depreciation prior to January 1, 1914, and provide for current year's depreciation.

Prepare Departmental, Trading, and Profit and Loss Statements for the year 1914, and submit Balance Sheet as at December 31, 1914.

PRACTICAL ACCOUNTING

Friday, June 18, 1915, from 1:00 P. M. to 6:00 P. M.

10 Credits allowed for neatness and general appearance.

1. (20 Credits)

The co-partnership of George L. Brown & Company composed of George L. Brown, L. J. Henry and Fred S. Martin, is unable to meet its current obligations and arranges a composition with creditors whereby the latter agree to accept 80% of their claims without interest. A trustee, Henry S. Smith, is appointed January 1, 1915, by mutual consent, to take charge of the business during liquidation. On that date the ledger of the partners showed the following balances: Cash, $105.00; Accounts Receivable, $10,000.00; Accounts Payable, $12,000.00; Notes Receivable, $5,000.00; Notes Payable, $5,000.00; Bonds (owned), $5,000.00; Inventory, $13,000.00; Premium on bonds, $150.00; Real Estate, $3,000.00; George L. Brown, $5,000.00; L. J. Henry, $6,605.00; Fred S. Martin, $7,650.00.

The trustee continued trading for six months, his transactions summarized being as follows: purchases, $8,000.00; salaries, $2,000.00; general expenses, $1,000.00; all paid in cash. Sales, $24,000.00; cost of sales, $16,000.00; cash received on realization, $19,250.00; cash disbursed in liquidation, $14,100.00; cash received in trading (sales), $12,000.00; cash disbursed in trading as above, $11,000.00.

The notes receivable realized face value, accounts receivable were assigned to a banker at 10% discount. The bonds were sold at 105 flat. The notes payable were paid as agreed and the accounts payable were liquidated with the exception of one claim of $2,000.00 unsettled pending an old adjustment for damaged goods. Inventory at end of six months, $5,000.00; expenses of trusteeship, $2,100.00.

Prepare a Realization and Liquidation statement to show the results of the trustee's handling of the business, a Deficiency Account, Cash Account, and Balance Sheet at termination.

2. (20 Credits)

A receiver is appointed to take charge of the Farm Implements Company, on June 1, 1915, and employs a C. P. A. to deter-

mine from the books the exact condition of the business. He finds the books to show the following:

Cash on Hand	$ 623.10	
Cash on Deposit at Reserve Nat'l Bank	34,000.00	
Notes Receivable	95,000.00	
Notes Receivable Discounted	650,000.00	
Notes Receivable Assigned to Bank	100,000.00	
Accounts Receivable	40,058.40	
Accounts Receivable Assigned to Bank	50,000.00	
Reserved for Losses on Notes and Accounts		$ 37,923.12
Doubtful Notes and Accounts	8,417.51	
Material and Supplies	239,516.75	
Branches, Net Advances	156,397.00	
Land, Buildings and Equipment	705,742.34	
Reserve for Depr. Buildings and Equipment		98,351.68
Patterns, Tools, Etc.	13,000.00	
Deferred Charges	12,121.37	
Bills Payable—Reserve Nat'l Bank		397,667.73
Bills Payable—Merchandise		45,033.45
Bills Payable—Equipment Notes		40,000.00
Accounts Payable		67,152.98
Accrued Pay Roll		5,000.00
Accrued Taxes		5,000.00
Accrued Interest Bank		3,000.00
Accrued Interest Sundry		2,340.20
Accrued Interest Equipment Notes		1,000.00
Land Contract		1,750.00
Commission Contingent to become payable to agents when customers' notes are paid		1,506.43
Dealers' Deposits		5,000.00
Capital—Preferred Stock		500,000.00
Capital—Common Stock		600,000.00
Surplus		394,150.88
Subscription Account (Common Stock)	100,000.00	
	$ 2,204,876.47	$ 2,204,876.47

The accountant finds that the company has secured its line of credit at the Reserve National Bank, on filing one of the usual forms of statement for securing credit at National Banks. The Real Estate has been appraised at $100,000.00 as to land, and $100,000.00 as to buildings as a going concern, but in case of liquidation the land and buildings would bring only $150,000.00. The Machinery and Equipment have been appraised at $400,000.00 as a going concern, and $50,000.00 on liquidation. The Material and Supplies are worth $239,516.75 as a going concern

and $125,000.00 on liquidation, except that on a further investment of $20,000.00 to complete the manufacture of goods in process they would bring $200,000.00.

Examination of the notes and accounts receivable discloses that the notes will show a shrinkage of $50,000.00 on collection and the accounts which include credit balances aggregating $1,250.62 are considered to be worth 60% of their face value. Patterns, Tools and Dies are worth $10,000.00 as a going concern, and $1,000.00 on liquidation. Doubtful notes and accounts are considered worth 50%. Net advances to branches involve the consideration of sale of finished product, collection of local accounts, payment of accrued salaries, rent, etc., to net $150,000.00 as a going concern, and $100,000.00 on liquidation. Deferred Charges may be considered worth $1,000.00 on liquidation. Land Contract represents a balance due on principal of $3,000.-00. It is estimated that the receivership fees, including special allowance, will amount to 3% of the unpledged assets if sold in their present condition, or 5% if the plant is operated by the receiver.

Prepare a Statement of Affairs to submit to the creditors as a result of a complete audit, showing the position and relation of the secured and unsecured creditors and stockholders, the book, going and liquidating values in comparison, together with a Deficiency Account. Due regard must be shown for comprehensive but brief exposition, proper certification and formal subscription as C. P. A. in Michigan.

3. (20 Credits)

The Standard Overall Company employing piece-work operators and estimating material consumpeion on the basis of specifications, has allowed its cost system to fall behind and employs you to pull the work together. You find that starting the year opening entries appears on your Ledger as follows:

Finished Garments	$ 110,000.00
Work in Process	5,000.00
Raw Material	20,000.00
Undistributed Departmental Burden	2,500.00
Undistributed General Factory Burden	1,000.00

Subsequent Transactions per Books:

Material Purchased	500,000.00
Material Delivered to Cutting Room	475,000.00
Productive Labor, (Accrued), comprising 850,000 productive hours	250,000.00

Departmental Burden (Accrued)	100,000.00
General Factory Burden (Accrued), including 25,000 hours non-productive time	25,000.00
Selling Expenses	150,000.00
Administrative Expenses	80,000.00
Garments completed, delivered to finished stock	840,000.00
Garments sold valued at manufacturing cost	900,000.00
Sales (Net)	1,200,000.00

Taking of Inventory necessitated the following adjustments:

Raw Material (Short)	3,000.00
Work in Process (Over)	500.00
Finished Garments (Short)	1,500.00
Departmental Burden Rate (Flat)	12 cents per hour
General Factory Burden Rate (Flat)	3 cents per hour

Raise the necessary ledger accounts and show Manufacturing, Trading, and Profit and Loss Statements together with Trial Balance at close.

4. (15 Credits)

X, Y, and Z enter into the real estate business equal partners. X and Y, being experienced but without money or property to invest, arrange with Z to loan the firm $27,000.00 at 6% which is invested in acreage. It is agreed that the loan is to be repaid out of the profits of the business on condition that two-thirds of the annual profits are to be set aside in cash for that purpose and no profits are to be withdrawn until the note with interest is fully paid. Assuming that the profits during the first year were just sufficient to warrant a distribution of profits leaving the investment undisturbed, and that there were no partial payments—

Prepare journal entries giving effect to the above considerations, and trial balances showing the condition of the books at close as relating to the affected accounts:

(a) Before payment of the note and interest

(b) After payment of note, interest and dividends.

5. (15 Credits)

Chart an organization and draft the following skeleton forms for an automobile manufacturing company.

(1) Purchase Order Blank.
(2) Requisition on Storeroom.
(3) Inventory Tag.
(4) Stores-Record Card
(5) Production Order.
(6) Betterment Order.
(7) Check Register.
(8) Journal Voucher

THEORY OF ACCOUNTS

THEORY OF ACCOUNTS

Friday, December 17, 1915, from 8:00 A. M. to 12:00 M.

1. (a) Does double entry bookkeeping require twice the work of single entry? If so, explain how. If not, explain why it is so called, and show why it does not.

   (b) Prepare a statement that could be secured from a set of books kept by single entry for an ordinary retail hardware store, tell where each item would be obtained, and make such entries as would be needed to change the books to double entry.

2. Indicate the difference in closing books kept for a business conducted by an individual, by a firm, or by a corporation.

3. Formulate a special-column cash book for some line of business, naming the kind. Make sufficient entries to illustrate every possible use of the columns. Close the same, marking all red ink work with (R).

4. Make entries in journal form for each of the following transactions:

   (a) You buy a bill of goods, list price $100.00, with trade discount of 20-10-5;

   (b) You buy a bill of goods, list price $100.00, subject to 2% discount if paid in 10 days, which you do;

   (c) February 14, you buy a note, face value $100.00, given January 14 for 3 months, discounted at 6%;

   (d) You buy goods from a concern under an agreement that if you purchase $12,000.00 worth during the year you will be allowed an additional discount of 1% on all purchases for the year. Your purchases total $15,000.00 for the year and you deduct your 1% for the year from the last bill when you pay it;

   (e) You need money and you have your 90-day note for $500.00 discounted at the bank at 6%;

(f) You are making your annual statement and in arriving at your inventory value you discount the merchandise on hand 5% to cover shelf wear and tear;

(g) You own a note given you by a customer, face value $1,000.00, drawing 5% interest, given December 1 for 4 months. You discount it at the bank today at 6%.

5. A man has saved $10,000.00 which is invested at 6%. He is working for a concern at a salary of $100.00 a month. He decides to go into business for himself. He invests his capital, forfeiting his interest. He devotes his time to the business, forfeiting his salary. At the end of the year his statement shows a profit of $2,000.00. Can the business be said to have made $2,000.00 or did it in reality only make $200.00? Discuss fully the accounting and economic principles involved. Suppose that instead of money loaned his capital had been in the form of a store rented for $100.00 a month and he cancelled the lease and used it himself, borrowing what money was needed for working capital from the bank and paying interest for same. Would that alter the question of profit?

6. What is a controlling account? Name those more commonly used. Illustrate and explain one in detail.

7. Give purpose of the following accounts, indicating whether debit or credit side of account should be larger, and tell how the account would be closed: reserve fund, sinking fund, depreciation, doubtful debts, bond redemption, dividend, royalties, organization expense, mortgage, goods in process.

8. B owes you $1,500.00 on account, $750.00 of which will be due in 30 days. You ask permission to draw on him at 30 days sight, to which he agrees. You do so. He accepts draft. You discount it at 6%. He allows draft to go to protest. You pay $1.25 fees. Later he pays you in full, including fees. Make every entry involved in your books, including proper explanations.

9. Describe the use of all books where records are kept concerning "capital stock."

10. Construct a balance sheet for a national bank, showing every possible item which should appear in one.

THEORY OF ACCOUNTS

Saturday, December 23, 1916, from 8:00 A. M. to 12:00 M.

1. (a) What are the advantages of numbering accounts? Describe methods by which it may be done.
   (b) Explain differences between trial balance and balance sheet.
2. (a) Explain ways in which depreciation is figured. How is it treated in books?
   (b) Explain methods of treating accruals, indicating advantages and weaknesses of each?
3. (a) What are nominal accounts? How are they used? How closed?
   (b) Distinguish between capital and revenue receipts and expenditures.
4. A company with an authorized capital of $500,000.00, $100.00 par value, issues 4,000 shares in payment of various properties. In order to secure working capital, the share holders return to the company three-eighths of their holdings to be sold at 50 and on the same day 500 shares are sold and paid for. How would you treat the matter? Draft entries and show ledger accounts and balances?
5. A corporation sells first mortgage bonds at a premium and second mortgage bonds at a discount. Make a statement of facts, indicating amounts, percents and time? Make proper entries and explain the various methods of handling premium and discount on bonds.
6. (a) Describe in detail the handling of Imprest Cash.
   (b) Explain differences between funded debts and floating debts.
7. (a) Define and distinguish between a statement of income and expense and a statement of receipts and disbursements.
   (b) Explain what is meant by Contingent Liability and how it is handled in books.

8. (a) What is the difference between reserve funds and reserves?
   (b) What is meant by deferred charges?
9. Explain the purpose of a clearing house, method of operation, and accounting procedure.
10. Prepare pro forma balance sheet and profit and loss account of some line or business, indicating the business in question.

THEORY OF ACCOUNTS

Friday, November 16, 1917, from 2:00 P. M. to 5:30 P. M.

Candidates are required to answer six out of the following nine questions.

1. You are called upon to state what is the annual sinking fund necessary to redeem a principal sum of $1,000,000 due 30 years hence—it being assumed that the annual sums set aside are invested at compound interest at 5%. State what computation you would make to arrive at the result desired. You need not work out the computation.
2. Discuss the relative merits of bound books and loose-leaf or card records for various accounting purposes.
3. Describe the form in which it is customary to submit accounts of trustees and executors to a probate court in any jurisdiction with which you are familiar. Enumerate the various schedules containing the details of such accounts and describe exactly what information each affords.
4. What are specification costs? What are their special advantages and disadvantages?
5. Outline the instructions you would give to afford the head office of a company adequate control over expenditures at its various plants for additions and replacement repairs and to ensure uniform and correct accounting treatment thereof.
6. State the general principles to be adopted in valuing the inventory of a concern engaged in selling various articles, some of which it manufactures and others of which it buys complete.

7. The "X. Y. Z." Corporation, the accounts of which you are auditing, is an American company, and has as its principal asset an industrial plant purchased many years ago located in Mexico. It also has capital locked up in current inventories, accounts receivable, etc., incidental to the operation of such Mexican plant. For many years the Mexican accounts were reflected on the head-office books on the basis of $2 Mex. to $1 U. S. A. Do you consider this proper at a time when Mexican exchange stands at, say, $1 Mex. equal to 18c U. S. A.? Assuming you feel that the situation requires adjustment, how would you proceed to correct the American balance sheet?

8. Define—Deficiency Account, Amortization, Consolidated Balance Sheet, Depreciation, Contingent Liability and Controlling Account.

9. The prospective purchaser of a business employs you to examine the accounts.
What important facts should you give your client in such a case?

THEORY OF ACCOUNTS

Friday, May 17, 1918, from 2:00 P. M. to 6:00 P. M.

The candidate is required to answer questions 1 and 2 and four other questions.

1. Smith, Hill and Davis form a partnership under an agreement that Smith is to have a salary of $200.00, Hill $150.00, and Davis $100.00 a month respectively. The profits are to be divided in proportion to the amount of business secured by each partner. The partners are to be individually responsible for any direct losses arising from their own business.
They are in business nine months, at the end of which time their books show as follows:

Smith's sales	$5,310.00
Hill's sales	3,100.00
Davis' sales	3,200.00
Net profits	2,468.50

They then decide to rescind the salary agreement, treating any salary drawn as an advance, but otherwise to divide the profits according to the original arrangement.

You find errors during the nine months' period, namely:

Office furniture, charged to operation	$65.00
Funds lent by Davis, credited to his salary account	400.00

and open items not entered on the books as follows:

Smith's salary (ninth month)	$ 200.00
Hill's salary (ninth month)	150.00
Advertising	27.50
Clerk hire	130.00
Telephone	6.00
Rent	50.00
Stationery	15.00
Accounts receivable, Smith's business, uncollectable	210.00

and that the sales represent a gross profit of 100% over cost of merchandise.

State journal entries necessary to readjust the accounts; and prepare a corrected profit and loss account and a statement of the distribution of the profits.

2. The A Company buys on January 1, 95 per cent of the stock of the B Company.
The balance sheet of the latter company on that date is as follows:

ASSETS		LIABILITIES	
Property account	$ 500,000	Capital	$1,000.000
Current assets	850,000	Surplus	100,000
		Current liabilities	250,000
	$1,350,000		$1,350,000

The A Company pays par for 90 per cent of the stock and 120 for 5 per cent of it.
During the next six months a doubtful claim of the B Company, which prior to January 1 had been written off, turns out to be good and $5,000 cash is realized on it.
At the end of the first six months B Company has made $100,000 net profit from operations, and a dividend of $200,000 is paid.

In making up a consolidated balance sheet of A Company and its subsidiary at January 1 (date of purchase), state, giving briefly your reasons, how you would treat:

(a) A Company's interest in the B Company

and at July 1

(b) The doubtful claim recovered

(c) The dividend paid

(d) The interest of outside B stockholders in B Company.

3. In auditing the books of a corporation you find that, in order to provide a sum to redeem a mortgage of $100,000 falling due at the end of 10 years, a reserve of $8,000 per annum has been set aside annually for three years, but that, contrary to intention, the company has failed to accumulate interest thereon. Assuming interest at 4 per cent (convertible annually) what should have been the total accumulations to date, and what amount should now be set aside annually for the next seven years in order to complete the sinking fund? $(1.04)^7 = 1.31593$.

4. Describe the following and state some of the respective advantages and disadvantages of each:

(a) Voucher system

(b) Loose-leaf system

(c) Cash journal.

5. Name two methods of distributing the overhead or indirect expense of a factory so as equitably to transfer such expense to the cost of the different articles manufactured. What advantage has either method over the other?

6. Should a manufacturing concern invoice its goods sent to a branch house (1) at selling price, or (2) at the prevailing wholesale price of the same or similar goods obtainable in open market, or (3) at cost? State the reasons fully.

7. (a) What books of record are necessary in addition to the books of account, for a corporation existing under the laws of your state?

(b) Of what value would such records be for the purposes of an audit?

8. What general principles should be observed in differentiating between capital and revenue expenditures?

9. Give illustrations of "diminishing' or 'wasting" assets. How should they be treated?

THEORY OF ACCOUNTS

Tuesday, November 19, 1918, from 2:00 P. M. to 6:00 P. M.

Answer any eight of questions 1 to 11 and any four of questions 12 to 18 and no more.

1. Mention and explain two common views concerning the treatment of donated capital stock.

2. What is the status of a company in the hands of the Alien Property Custodian with regard to the capital stock tax as required by the revenue act of September 8, 1916?

3. A manufacturing concern having several branch offices for the sale of its product is in the habit of billing the branches at a wholesale price and expects each branch to show a profit. A balance sheet is prepared in which the current accounts with the branches (after closing out their profits and losses into head office) are carried as accounts receivable. These branches carry a considerable stock of merchandise and have their own accounts receivable and possibly some outstanding accounts payable. How would the above balance sheet have to be modified in order to show correctly the financial condition of the business?

4. (a) What items do you consider should be charged or credited direct to surplus?

   (b) Would you regularly make small adjustments of subsequently discovered errors through this account?

   (c) Is the balance to credit of surplus ever in any circumstances a liability, and if so, to whom?

5. Give some idea of what taxes you would charge against income and what against surplus. Of the former, which, if any, would you take up into manufacturing costs? What provision, if any, would you make for income and excess profits taxes in closing accounts before the passing of a pending act levying these taxes, either in general circumstances or when profits are partly divisible under some special contract or arrangement?

6. Give some principles to determine a proper disposition of the cost of enlarging a plant, including a partial re-building of the old portion.
   In case you have insufficient data to enable you to apply these principles satisfactorily, offer some solution of the difficulty.

7. What are the distinguishing characteristics of the "corporation" as compared with other forms of business organization? What privileges does it carry and what, if any, are its disadvantages?

8. There is a confusion in the minds of many people between statements of "revenue and expense" on the one hand and of "receipts and payments" on the other hand. Discuss the distinctive features of such statements showing wherein they differ.

9. Can you suggest any circumstances in which good-will would appear in the books of a partnership?

10. A company makes machines of a highly technical nature which it rents out, but refuses to sell, to its customers. These machines, if kept in good order, are calculated to last almost indefinitely, but say for at least 20 years. They are, on the other hand, liable to be superseded at any time by new devices or methods. How would you treat the original capital value on the books of the company? (Assume that two years' rental would, in each case, liquidate the first cost.)

11. What are the present requirements of the federal reserve banks in regard to the verification of the accounts of companies whose paper is submitted by member banks for rediscount?

12. Enumerate the essential heads of information which ought to be brought out in statements prepared for the information of bankers for credit purposes. Would you or would you not amplify such information in a statement prepared for the information of

    (a) Officers and directors;
    (b) Shareholders of a company?

13. On December 31 the office of a company with which you have previously been connected as auditor is burned and all its records completely destroyed. Its plant is, however, saved, and its

business can be continued without any break. You are called upon to assist in the preparation of a balance sheet and open up new books without delay. How would you proceed? You have in your possession a balance sheet prepared by yourself at the close of the preceding year. You will incidentally also be required to prepare the company's returns for income tax purposes.

14. Define corpus and income and state clearly what they mean in dealing with the accounts of a decedent's estate. Outline the books you would keep in order properly to record transactions affecting such an estate, it being assumed that the will calls for the division of the estate into a number of trusts, some of which carry life rents to certain beneficiaries with a different application ultimately of the principal.

15. State the rules which govern the Treasury Department either under law or under its official rulings with relation to the deduction of any four out of the following seven classes of deductions from gross income in preparation of returns of net revenue:

    (1) Bad debts and reserves for them;
    (2) Depreciation of horses;
    (3) Depletion of coal in a coal mining company;
    (4) Depletion of oil in an oil producing company;
    (5) Donations and charity;
    (6) Salaries of officers of a corporation;
    (7) Excess profits tax in its relation to income tax and vice versa.

16. Give a pro forma monthly operating and profit and loss statement for any one of the following industries, introducing a statistical statement showing unit costs or any other useful cost data which may be practical:

    (a) A brewery;
    (b) A flour mill;
    (c) A coal mine;
    (d) An oil development company with producing wells;
    (e) A foundry;
    (f) A rolling mill producing steel rails.

ACTUARIAL QUESTIONS (OPTIONAL)

17. A corporation wants to retire a debt of $105,000 bearing 5% interest payable monthly. The tenth payment, including interest, is to be $15,000. The other nine periodical payments are all to include interest and to be of the same amount. Required the amount of each of such nine payments ($1.05^9 = 1.551328$).

18. A $10,000 five per cent semi-annual coupon bond is bought on a 4 per cent basis due 1½ years hence. What did it cost?

THEORY OF ACCOUNTS

Tuesday, June 10, 1919, from 1:00 P. M. to 4:00 P. M.

1. (a) Name and explain several deferred charges to expense.
   (b) Name several accrued liabilities.
   (c) Present a National Bank Statement in proper form intened to indicate a stock value of 160.

2. (a) Explain how overhead cost is apportioned.
   (b) What do you mean by accrued manufacturing expense?

3. Prepare a graphic chart showing three business facts which you wish to present to the manager of the business.

4. Outline in order the various steps you would take in handling labor tickets.

5. (a) Illustrate accounts that are considered as deductions from income.
   (b) Illustrate mixed accounts.
   (c) Illustrate how to handle goods sent out for sale or return.

6. (a) Name and explain the various methods by which cost accounts may be handled bringing out clearly among other items the difference between the specific order plan and the process plan.
   (b) Name the ways in which depreciation is figured and explain the advantages of each.

7. Explain the accounting required by an administrator or an executor.
8. How should the books of branch houses be kept in order that although entirely independent they may be included in the books of the main concern?
9. Name and explain the main features of the voucher system.
10. Prepare an organiaztion chart for some particular business.

AUDITING

AUDITING

Saturday, December 18, 1915, from 1:00 P. M. to 5:00 P. M.

1. The machinery used by a concern was purchased on the installment plan, monthly payments, title to pass on last payment. At close of year several payments are not due and therefore unpaid. The concern also pays a royalty on the output of the machines bought in this way. How would you deal in your audit with machinery, installments paid, and royalty?

2. A corporation has sufficient cash on hand to pay a 6% dividend. Before doing so the directors ask you to look over their records and advise them. It is not to be a detailed audit. What points would you be careful to examine before reporting? Name conditions under which a dividend would not be advisable.

3. A concern needed an addition to its plant. Not having enough ready capital, they borrowed money and when the interest was paid it was charged to the "plant" account on the theory that it was not an expense in the ordinary conduct of the business and therefore not be charged to the regular interest and discount account but might with propriety be charged as a part of the addition. Is the theory sound?

4. Outline an audit made by you this year, indicating character of business, books used, and order of procedure.

5. A manufacturing concern during a slack period used its own labor and material for the purpose of construction and charged the "plant" account with the value of the work done at the price it would have cost if outsiders had been employed. What would you say about it in your report?

6. (a) How would you treat money received on stock subscriptions from persons who afterward forfeited their stock by non-payment of other installments?

(b) A company buys $5,000.00 of its own stock for $4,000.00. The entry that is made debits Treasury Stock $5,000.00, credits cash $4,000.00, and credits Loss and Gain $1,000.00. State why you approve or disagree.

7. Write a two-hundred-word paper explaining whether "Capital Stock" account should be credited for the authorized amount, the subscribed amount, or the paid-in amount, giving illustrations of all possible entries.

8. In a business consisting of five separate departments there is kept a general ledger containing capital account, the speculative accounts such as merchandise, expenses, etc., and accounts with each separate department, sales ledgers containing the accounts of customers, and a purchase ledger containing the accounts of foreign and domestic creditors.

   In the general ledger each department account is charged with all purchases made for the department and credited with cash received and allowances on account of sales of said department. The sales ledgers contain the different customers' accounts, showing charges for sales and credits for cash, allowances, etc., on account of sales. The purchase ledger contains the accounts of the different creditors showing credits for merchandise and charges for cash.

   In making an audit of the books, how would you determine that the profit or loss for each department had been properly stated for a given period?

9. A and B formed a partnership in a manufacturing business, each contributing $25,000. The business was conducted in a building owned by B, for which B was to be paid $10,000 rent per year. During three given years the profits averaged $10,000, and A drew out $1,000, $5,000 and $10,000 in the respective years, and B drew out $3,000, $4,000 and $5,000. The rent account was adjusted in the books by crediting B in each year with $5,000, and charging this amount in the first year to A, the second year to expense, and the third year to B.

   In an audit of the books how would you state the accounts at the close?

10. Outline a method of determining the efficiency of labor in a factory.

AUDITING

Saturday, December 23, 1916, from 1:00 P. M. to 5:00 P. M.

1. Explain in detail the methods of auditing a pay roll, indicating the special points which you would investigate for the purpose of determining whether fraud had been practiced?

2. In making an audit of a corporation, you find an account on the ledger with Podunk Railroad Bonds. This account is charged under date of March 1, 1913, with $105,000.00, same being the cost of $100,000.00 first mortagage bonds bearing interest at 5% payable January 1 and July 1 of each year. No part of the premium has been charged off but Interest account has been credited for the semi-annual payments of interest. Those bonds were purchased on a 4% semi-annual basis. You are making the audit as of December 31, 1916. With this information in hand, you are to prepare a schedule showing the book value of the bonds at each interest payment period, the interest received, the income and amortization for each period on the basis on which the bonds were bought, also the necessary journal entries to adjust the accounts on December 31, 1916.

3. Explain in detail an audit which you have made this past year?

4. Write a one-thousand-word statement containing instructions which you would give to a young fellow just entering your accounting office on the subject of working papers.

5. You are asked to certify to the balance sheet of a company, a copy of which has already been issued to the companies' bankers and note brokers and it is desired that you accept the classification of assets and liabilities which has been made. The following points are noticed by you in examination of the same:

   (1) Under the general title "real estate, plant and equipment" there is an item of $15,000.00 for land purchased five years ago upon which it was intended to erect a branch factory.

(2) The Accounts Receivable are stated at a lump sum and an analysis shows that amount to include customer's accounts, amounts due by officers and employees, unpaid capital stock, subscriptions, advanced payments on merchandise purchased and unpaid bonds owned by the company but two months overdue.

(3) The reserve for loss on customer's accounts is shown as a separate item on the liability side of the balance sheet.

(4) The Accounts Payable account includes a balance due to a subsidiary company.

Would you accept the client's classification at all points? If not, what changes would you make?

6. (a) How is it possible in the ordinary audit to determine that all liabilities are properly entered in the balance sheet?

(b) How is it possible in case of a fire where a perpetual inventory is not kept for the auditor to prepare a claim for insurance?

7. Explain the methods you would use to prove the correctness of the items in a balance sheet relating to cash, bills receivable, accounts receivable and reserve for bad debts.

8. You are asked to prepare a report upon a manufacturing concern for a prospective customer. Name the points which you would desire to investigate and the tests which you would place upon the business in such a report.

9. In auditing the accounts of a corporation, you find the following entries in one month without explanation:

Profit and Loss to Accrued Sinking Fund.....	$	8,333.33
Accrued Sinking Fund to Reserve for Sinking Fund		100,000.00
Union Trust Co., Trustee, to Accounts Payable...		100,000.00
Accounts Payable to Cash		100,000.00
Sinking Fund, No. 1, to Union Trust Co., Trustee.		100,000.00
Reserve for Sinking Fund to Profit and Loss.....		100,000.00

Prepare a statement showing what you consider the situation was which brought about such entries and what recommendations you would make?

10. (a) How would you disclose on a balance sheet of a contractor a building which was 60% complete but no part of which had been accepted?

(b) With the present trend toward prohibition, what accounting proposition would you make in the books of a corporation owning a brewery in order to maintain its financial integrity before authorizing the declaration of a dividend?

(c) What contingent liabilities would you look for in the books of a public utility?

(d) How would you verify treasury stock?

(e) How would you treat the various accounts in a consolidated balance sheet if the capital stock of the subsidiary companies was less than that of the holding company?

AUDITING

Thursday, November 15, 1917, from 9:00 A. M. to 12:30 P. M.

1. You are required to make a detailed cash audit for three years ending October 31, 1917. You find a disbursement for "Rent October 1914, $1,000.00" on November 6, 1914. You are told the receipt is missing and a duplicate cannot be obtained. You are shown as a voucher a check dated November 6, 1914, payable to the landlord or order for $1,000.00, endorsed with a rubber stamp and marked by the clients' bankers "paid." State with your reasons whether you would accept this as sufficient evidence that the payment was made as recorded and, if not, what course you would adopt.

2. How would you proceed in a cash audit of a club or fraternal order to ascertain whether the treasurer had charged himself with all dues paid by members to him?

3. You receive the following letter:

> We have never had our books audited but are contemplating an audit now. Two of our friends have recommended you to us. Both have businesses similar to ours but their advices as to the time required are very different. Do you carry out different kinds of audits? If so, what are the different kinds and under what circumstances do you recommend one kind and when another?

Write a reply.

4. What different classes of obligations and liabilities should be disclosed in an audit for credit purposes? How would you verify those recorded on the books and how would you try to discover any not so recorded?

5. You are employed to instal a system for a large business which your clients have acquired. Your recommendations are adopted at the beginning of a fiscal year. At the close of the year you are elected by the stockholders to audit the accounts for the year.

State what procedure you would follow in examining the charges to property accounts, and the objects of the various steps in that procedure.

6. What are the essentials of an audit certificate in an audit for credit puropses?

7. How far are the duties of an accountant auditing the books of a company affected by the character and extent of the company's system of internal check?

8. In auditing the accounts of a trustee under a will, what special matters require to be dealt with which do not arise in the audit of a business concern?

9. Prepare a bank reconciliation showing at least three different classes of items constituting the difference between the figures being reconciled and state how far you would investigate such items in a cash audit.

10. A company has insured the life of its president for its own benefit, and is carrying the amount of premiums paid in its balance sheet? What position would you as an auditor take in regard to these premiums?

AUDITING

Thursday, May 16, 1918, from 9:00 A. M. to 1:00 P. M.

1. What would you consider satisfactory evidence of the correctness and propriety of expenditures of the following classes:
   Wages paid
   Land purchased
   Salary of president
   Expenses of president
   Pensions paid to ex-employes
   Directors' remuneration?
   Commission paid to bankers for sale of bonds

2. Give either the classification of notes and accounts receivable suggested in the Federal Reserve Bulletin for April, 1917, for use in audited statements for credit purposes, or an alternative classification.

3. How is the position of an auditor affected if the system of the concern under audit is defective:
   (a) As to internal check
   (b) As to cost methods?

4. In the machinery account of a company under audit, you find the following among other items:

Dr.		Cr.	
Purchase of two machines, Type A, including freight	$8,000	Sale of old machine, Type A (less cost of removal and freight)	$1,264
Cost of removing a disused machine, Type B, to make room for new machine	160	Sale of old machine, Type B	1,470
Cost of installation of two new machines	280		
Alterations to four Type C machines, necessitated by change in product	640		
Cost of moving two machines from Building A to Building B to permit of more economical operation, including reinstallation	270		

The balance on machinery depreciation account shows an increase for the year of the amount provided out of income which is computed at the rate of 4% on the balance of machinery account at the commencement of the year. The method of keeping the machinery and machinery depreciation accounts has been in force from the commencement of operations. Draft your comments as auditor of these accounts, assuming that no items other than those above mentioned call for any comments.

5. Prepare a program for an annual audit of the accounts of a trust estate. (It is not necessary to deal with special transactions, such as occur in connection with the original creation of a trust.)

6. Draft a form of audit certificate to accompany a balance sheet which is to be published in the annual report of a corporation.

7. State two methods which have been used to conceal thefts of cash and also procedure in an audit which would disclose such irregularities if they should exist.

8. What is the extent of an auditor's responsibility in respect to the classification of assets and liabilities in a balance sheet which he certifies?

9. Outline the work which should be done in connection with notes and bills payable in an audit for credit purposes of a merchandising company.

10. How would you proceed if the accounts of a corporation which you were auditing were in your judgment incorrect and you were unable to induce the officers to make the changes you deemed imperatively called for:

    (a) If you had been elected as auditor by stockholders
    (b) If you had been appointed by the directors
    (c) If you had been instructed by the president on the request of the company's bankers or note-brokers?

AUDITING

Monday, November 18, 1918, from 9:00 A. M. to 1:00 P. M.

Answer ten of the following twelve questions and no more.

1. How would you proceed to audit the books and accounts of the treasurer of a local Red Cross chapter? What evidence would you require as to the propriety of disbursements, and how would you ascertain that all receipts were duly recorded?

2. Draw up an outline of a report on your audit of the accounts of a corporation that has recently erected a large apartment house. Assume your instructions covered the period of erection and at least one year of operation.

3. A corporation has issued $1,000,000 of 6 per cent 20-year bonds at 90 and for 8 years has written off 5 per cent of the discount each year. Last year an opportunity occurred to buy in $200,000 at 85, which was done and the bonds cancelled. The directors propose to take up into their year's revenue $30,000, the discount saved upon extinction of this liability. Do you approve? If not, what course would you advise, or, if they insist, how would you act?

4. "Inventory of merchandise should be carried at cost or market, whichever is lower." Do you assent to this proposition? Can you suggest circumstances in which you would approve a departure therefrom? Would you be influenced by events or conditions subsequent to the date of closing the accounts? Give reasons.

5. Assume you are to audit periodically the accounts of the trustees of a decedent's estate, holding a large number of investments, and frequently adding thereto. Outline a plan for your own guidance to detect the failure to collect or record the income from such investments. What would be your attitude regarding accrued interest or dividends in closing the accounts periodicaly?

6. Give some general principles which will guide you in determining whether too much or too little provision has been made for depreciation of buildings, machinery, tools, good-will, patents, franchises. Would a flat rate cover all these assets satisfactorily?

7. On pointing out the insufficiency of the provision for depreciation on machinery, which the directors admit, you are met with the argument, supported by evidence, that the real estate values have appreciated to an even greater extent than the entire depreciation of other assets. As this latter is not taken up on the books you are asked to allow the one to offset the other. Give reasons for your agreement or disagreement.

8. A financial institution has a large amount of capital invested in mortgages which are constantly changing. Suggest a plan for confirming by averages and without a complete detailed examination of every account, the amount of income on this investment taken into profit and loss account for a year under examination.

9. State how you would satisfy yourself that all outstanding liabilities of a business are properly taken up in the balance sheet. Point out what you would like to find by way of system that would simplify this task. How would you indicate on the balance sheet as of December 31:

   (a) Preferred dividend (cumulative) due the previous November 1 not declared
   (b) Ordinary dividend for the year, declared the following January 22
   (c) Ordinary dividend declared December 30, payable February 1?

10. Your verification of the securities of a corporation has to be made at a date about two months subsequent to the date of the balance sheet you are asked to certify. Can you suggest steps which will enable you to do this without risk of overlooking serious overstatement?

11. In auditing the books of a club with a restaurant, bar and cigar-stand you are not satisfied that supplies are properly accounted for, although an inventory is supposed to be taken every month. How would you set about verifying your suspicions regarding the more expensive commodities (wine, liquors and cigars)?

12. Indicate what would guide you in examining and criticizing accounts receivable carried on the branch office books of a business. What would you require before:

    (a) Accepting the debts as good or

    (b) Writing off those you were told were bad?

AUDITING

Tuesday, June 10, 1919, from 8:00 A. M. to 11:00 A. M.

1. (a) How will you check cash receipts and verify cash balances?
   (b) How will you verify inventories?

2. (a) Illustrate different kinds of secret reserves.
   (b) Are secret reserves legal?
   (c) How should they be treated?
   (d) What is watered stock?
   (e) How should it be treated in audit reports?

3. Prepare a detailed statement of procedure of an audit which you have made within one year.

4. (a) A corporation has been organized with both preferred and common stock, the preferred carrying cumulative dividends. How will you indicate arrears in dividends on the preferred stock?

   (b) How will you show in the balance sheet bonds which have been put up as collateral and the indebtedness for which they are collateral?

5. If the state should pass a law placing all persons, partnerships, and corporations dealing in real estate under the supervision of the banking commissioner and you were appointed as head of a division having charge of them, what points would you instruct your inspectors to specially observe in making their audits?

6. A is a holding company controlling B, which is a company owning natural resources, C, which is a company using said natural resources as a basic material in manufacturing, and D, which is a company selling the output of the factory. You are auditing the books of A. . What steps should be taken to verify inter-company transactions? If the books of B, C, and D are not available and balance sheets and profit and loss statements are, under what conditions can you safely use them?

7. (a) Explain how sinking funds are created, carried, and disposed of?

   (b) Make the entries illustrating the sale of bonds at a discount and at a premium.

   (c) Appreciation of real estate has occurred to such an extent as to present a largely increased surplus, what will you say to this in your report.

8. Name five common methods of defalcation and explain the steps which you would suggest to detect each of them.

9. The total expense of a department for a month is $4,000, the total production pay-roll of the department for a month is $2,000. The men worked 26 days an average of 8½ hours per day. The department has sixteen machines each of which has an operator, one assistant helper is employed for each 4 machines and one foreman is employed; what is the hourly process rate?

10. (a) A manufacturing concern issued bonds and transferred them to the contractor who erected the plant at 90 but charged the same to the building account at 100. Explain in full whether or not this is right.

    (b) In consolidating two banks at what value should the bond investments be set up?

COMMERCIAL LAW

COMMERCIAL LAW

Saturday, December 18, 1915, from 8:00 A. M. to 12:00 M.

1. (a) Give a definition of kiting transactions as applied to commercial paper.
   (b) Give a concrete example of kiting checks.
   (c) Give a concrete example of kiting drafts.
   (d) If a bank knew that one of its customers habitually kited checks and drafts placing them to the credit of his account at the bank, would it be a holder in due course with reference to such depositor's paper?

2. (a) How many subscribers are necessary to form a corporation under Act 232 as amended of the Public Acts of Michigan for 1903 relative to the formation of manufacturing and mercantile companies?
   (b) What are the minimum and maximum amounts for which a company can be incorporated under this Act?
   (c) What is the difference between authorized capital stock, subscribed capital stock, and paid up capital stock?
   (d) What information must be contained in the corporation's annual report to the Secretary of State?
   (e) What is the purpose of this annual report and what consequences may be visited upon the company for not filing it?

3. (a) Assuming that a Michigan firm has signed articles of co-partnership, what other initial step is necessary before it can commence business?
   (b) If such firm enters into contracts without taking the step indicated by your answer to the foregoing question, can such contracts be enforced in Court at the instance of the co-partnership?
   (c) Can they be enforced in Court against the offending partnership?
   (d) What initial step is necessary before a person can do business in Michigan under a fictitious or assumed name?
   (e) What consequences will be visited upon a person who does business in Michigan under a fictitious or assumed name without complying with the law indicated in your answer to the foregoing question?

4. (a) Give an exposition of the rights, duties and liabilities of a warehouseman.
   (b) Give an exposition of the rights, duties and liabilities of the holder of a warehouse receipt.
   (c) What is meant by the lien of a warehouseman?
   (d) What is the purpose of uniform warehouse receipt laws?

5. (a) When was the present Bankruptcy Law enacted?
   (b) Is the Bankruptcy Law of state of federal origin?
   (c) What is the purpose of bankruptcy laws?
   (d) Distinguish between Trustee in Bankruptcy and Referee in Bankruptcy and give the general duties of each.
   (e) What are some of the debts not dischargeable in bankruptcy?

6. (a) Jones, a Detroit merchant, is about to sell his stock of merchandise to Smith. Enumerate the legal steps Smith should insist upon before parting with his money.
   (b) Does the Bulk Sales Law apply to a sale of a stock of merchandise having a value not exceeding $250.00, providing the retailing of such stock is the business in which the vendor is principally engaged?
   (c) Does the Bulk Sales Law apply to a transfer by foreclosure of a chattel mortgage?
   (d) Do general creditors as well as merchandise creditors have to be served with notice under the Bulk Sales Law?
   (e) If you were auditing the books of a mercantile institution preparatory to a purchase of the stock and business by your client, would you suggest to your employer the observance of the Bulk Sales Law?

7. (a) Name two instances in which building and loan associations possess preferential immunity under the laws of Michigan.
   (b) Give the reasons advanced by such associations for the special privileges they enjoy under the law.

8. (a) Is a promissory note dated and delivered on Sunday valid?
   (b) Is a promissory note dated and delivered on a legal holiday valid?
   (c) Is it necessary to protest foreign bills of exchange under the Negotiable Instrument Law?

(d) Jones gives Smith his note and the latter sells the note to a bank in due course. Enumerate the legal steps which should be taken by the bank at maturity of the note.

(e) Are days of grace allowable under the Negotiable Instrument Law of Michigan?

9. (a) What rate of interest should be computed on a contract which calls for interest but does not specify the rate?

(b) Jones loans Smith $1,000.00 taking Smith's promissory note payable in one year with interest at the rate of eight per cent per annum. What amount can Smith be compelled to pay at maturity?

(c) What is usury?

(d) If a bank or any other person or institution loans money on real estate mortgage reserving interest at seven per cent per annum and requires the mortgagor to pay the mortgage tax, what is the legal status of this transaction?

(e) If a forged promissory note gets into the hands of a bona fide purchaser for value and without notice, can he enforce payment against the party whose name is forged?

10. (a) Can a husband and wife become business partners in Michigan so as to render the wife personally liable for the partnership debts?

(b) A husband and wife purchased property for their joint use giving their joint note. Is the wife liable on such note?

(c) A married woman having property in her own name signs a bond as surety. Is she liable on such bond?

(d) Can the holder in due course of a check enforce payment against the maker where the latter stops payment before the check is honored by the bank upon which it is drawn?

COMMERCIAL LAW

Friday, December 22, 1916, from 8:00 A. M. to 12:00 M.

1. (a) What is a municipal corporation?

(b) What is a public utility corporation?

(c) Classify the following corporations: cities, townships, school districts, street railway companies, railroad companies, automobile manufacturing companies, banks, telephone companies.

2. (a) What is meant by the commission form of government?
   (b) Name the advantages and disadvantages of this system of government.
   (c) What is meant by the general manager plan in connection with municipal government?
   (d) About how many cities in the United States are now operating under the commission form of government?

3. (a) What fundamental principle underlies Workmen's Compensation Laws?
   (b) Does the operation of this law affect the profits of the employer, or the cost of the product, or both?
   (c) What is an occupational disease?

4. (a) What is interstate commerce?
   (b) What is intrastate commerce?
   (c) Which of these is within the jurisdiction of the states and which within the jurisdiction of the federal government?
   (d) What is the purpose of the Federal Trade Commission?
   (e) Does the Federal Trade Commission have jurisdiction over any of the following: state or national banks; railroads; intrastate commerce?

5. (a) What are the arguments or reasons favoring the formation of a partnership to conduct a business?
   (b) What are the reasons favoring the formation of a corporation?
   (c) How may the form of organization affect the following: taxation; credit of company; liability of members; dissolution of company?
   (d) What is a special partnership?

6. (a) What are the reasons favoring the formation of a corporation to conduct a business?
   (b) What is the minimum number of stockholders required to form a corporation in Michigan?
   (c) What is the status of the company if all of the stock is purchased by one stockholder?
   (d) Can a legal dissolution be effected by a sale of all of the corporate assets and the filing of a notice with the Secretary of State, or must other steps be taken?
   (e) Is it necessary that the secretary of a corporation be a stockholder and director?

7. (a) What is an express contract? Give an illustration.
   (b) What is an implied contract? Give an illustration.
   (c) What is a void contract? Give an illustration.
   (d) What is a voidable contract? Give an illustration.
   (e) What is a unilateral contract? Give an illustration.

8. (a) What is a wagering contract?
   (b) Are wagering contracts enforceable?
   (c) What is novation in the law of contracts?
   (d) What is duress?

9. (a) What are the rules for the appropriation of payments made by a person who owes several debts to the same creditor?
   (b) How should a payment on an interest bearing debt be applied?

10. (a) When do taxes become a lien on real estate in Michigan, in the absence of special charter provisions?
   (b) Land is conveyed by warranty deed after the assessment roll is completed but before the taxes become a lien. Who must pay the taxes,—the grantor or grantee?
   (c) Jones owns a stock of merchandise which is assessed to him at $10,000.00 for 1916. In September, 1916, he sells the stock to Smith, warranting it free from liens, etc. Who must pay the 1916 taxes?

11. (a) What is the Statute of Frauds as applied to real estate?
   (b) What is the Statute of Frauds as applied to personal property?
   (c) Can a real estate agent recover commission if the contract with his principal is not in writing?

12. (a) What is meant by a joint deed?
   (b) When one of two joint tenants dies, is his interest in the joint deed property a part of his estate?
   (c) What are the advantages and what the disadvantages of holding real estate by joint deed?

13. (a) The Michigan law (Act 164 of 1913) requires all copartnerships to file with the county clerk of the county where their business is located, a certificate, and provides a penalty for doing business without compliance with this law. What information must be contained in this certificate?

(b) What is the status of contracts made by firms where no certificate has been filed?

14. (a) What contracts can married women enter into in Michigan?
    (b) Is a married woman's endorsement on a note or her signature as surety on a bond, legal and binding if she has property in her own name?
15. (a) What is the legal rate of interest in Michigan, and what is the contract rate?
    (b) A promissory note is silent upon the subject of interest. Does this note draw interest, and if so, at what rate, and from what date?

COMMERCIAL LAW

Thursday, November 15, 1917, from 1:30 P. M. to 5:00 P. M.

The Negotiable Instrument and Bankruptcy Acts will govern the correctness of the answers of questions 1 to 6 inclusive.

Negotiable Instruments

Answer two of the following four questions

1. What is the purpose of a protest? What instruments must be and what may be protested? What instruments need no protest?
2. Is the following note negotiable or not? Give reasons.

> New York, October 1, 1917.
>
> One month after date I promise to pay to John Smith Five Hundred Dollars for value received, negotiable and payable without defalcation or discount.
>
> (Signed) HENRY JONES.

3. What is the legal effect of endorsing an instrument in blank?
4. A past due note, endorsed by the payee, but not marked paid, is found by an administrator among the deceased maker's effects. What is the rule of law as to the presumption of its payment?

Bankruptcy

Answer one of the two following questions

5. Who may take advantage of the Bankruptcy Act voluntarily, and who may be forced into involuntary bankruptcy?
6. Mention the principal acts which constitute acts of bankruptcy.

Answers to the following questions are governed by the common law

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Contracts

Answer two of the three following questions

7. What does a seller impliedly warrant in the sale of a chattel?
8. When may a creditor enforce a contract with a minor?
9. Explain what is meant by:

a. An executory contract
b. An executed contract
c. A void contract
d. An implied contract (Give example)
e. A voidable contract (Give example)
f. An express contract
g. A covenant (Give example)

Corporations

Answer two of the three following questions

10. What is meant by cumulative voting? Describe and state when it is frequently practised.
11. The president and secretary of a mercantile corporation seal, execute and deliver in the company's name a mortgage on the company's real estate, without the authority of the directors. The company receives adequate value therefor. Can the holder foreclose in the case of default? Give reasons.
12. Describe briefly the more important powers and duties of the directors of a mercantile or manufacturing corporation, and state some acts (1) which would render the directors personally liable (2) be ultra vires on the part of the corporation. Explain what ultra vires means.

Partnership

Answer both of the following questions

13. A, B, and C respectively contribute ten, eight and six thousand dollars to the capital of a partnership. How should the resulting losses and gains be distributed in the absence of any agreement as to their distribution?

14. A and B are partners. A dies. The assets are found to be worth only 75% of the liabilities in liquidation. A's estate is solvent, while B is insolvent. What are the rights of the firm's creditors against A's assets not invested in the partnership, and what are the rights of B's personal creditors as to the partnership assets? State the rule governing such cases.

Income Tax

Answer one of the two following questions

15. Under what circumstances and to what extent may losses incurred in speculation be declared from gross income of an individual and a corporation respectively in ascertaining net income subject to the Federal Income Tax?
16. When must returns of net income be made under the Federal Income Tax Law and when is the tax thereon payable? Who are required to make such returns?

COMMERCIAL LAW

Thursday, May 16, 1918, from 2:00 P. M. to 5:30 P. M.

Give your reasons for all answers.
The Negotiable Instrument Act will govern the correctness of the answers 1 to 6 inclusive.

Negotiable Instruments

Answer three of the following six questions but no more

1. A promissory note is by its terms payable in stated instalments with a provision that upon default in payment of any instalment or interest the whole shall become due. To what extent is the note affected thereby?
2. A executes and delivers to B an undated negotiable note, payable 60 days after date. B inserts a wrong date (not the date of delivery) and the note passes in due course to C. What is the effect of the insertion as to the maturity of note as to C? Does it avoid the instrument in his hands?
3. Must the authority of an agent to execute and deliver notes or checks for and on behalf of a principal be in writing?

4. The following note passes in due course to an endorsee. The agent has exceeded his authority in executing and delivering the note. Is the principal liable or not?

New York, February 20, 1918.

Thirty days after date I promise to pay to the order of A B One Thousand Dollars.

Signed, JNO. HENDERSON,
By Wm. Henderson,
Atty.-in-Fact.

5. What is the legal effect of a forged signature to a negotiable instrument?
6. What correction may a payee or endorsee whose name has been improperly spelled in a negotiable instrument make?

Answers to questions 7 to 17 are governed by the common law.

Contracts

Answer three of the next following five questions and no more

7. When is time of the essence of a contract (a) at law, (b) in equity?
8. What is the rule for the appropriation of payments made by a person who owes several interest bearing debts to the same creditor?
9. What is a tender to perform a contract and what is its effect?
10. In what ways may a contract be discharged by operation of law?
11. When was a sale complete so as to pass title at common law, and how did the statute of frauds and perjuries change this?

Corporations

Answer two of the following five questions but no more

12. What is the distinction between the capital and the capital stock of a corporation and how is the value of the stock measured and determined?
13. Under what conditions may a corporation become the owner of its own capital stock?
14. What are the characteristics of preferred stock, and what are the rights of the holders thereof as to dividends and guaranteed dividends and preference in distribution of capital on liquidation?

15. Is the agreement between the shareholder and the corporation that all shares shall be deemed fully paid up effectual as against creditors? Explain.
16. What is the preference on the part of stockholders to subscribe to new shares upon increase of capital?

Partnership

Answer to this question is required

17. What are the rules which must be observed in adjusting the accounts of partners in liquidation:
    (1) As to payment of losses
    (2) As to application of assets?

Income Tax

Answers to this question are governed by federal tax laws and are required.

18. What are the provisions of the income tax and war tax laws as to the deduction from profits of the amounts paid for income tax and war or excess profits tax during the fiscal or calendar year?

COMMERCIAL LAW

Monday, November 18, 1918, from 2:00 P. M. to 5:30 P. M.

Give your reasons for all answers.

Negotiable Instruments

Answer three only of the following five questions

1. A note non-negotiable in form is executed and delivered by A to B and endorsed by B to C. A refuses to pay it when due, claiming want of consideration. C brings suit against A, averring that he was a holder in due course. Can A successfully defend the action if want of consideration is established? Give reasons.
2. Suppose that the above note had been negotiable, would A's defense of want of consideration be a bar to C's recovery or not? Give reasons and state the rule applicable to the principle involved in this and the foregoing question.
3. Define a negotiable bill of exchange.

4. State three cases in which the alteration of an executed and delivered note becomes material.
5. A negotiable note executed and delivered by A to B passes in due course to and is endorsed in blank by B, C, D and E; F is the last holder and strikes out C's endorsement. What is the liability of C, D and E on their endorsement?

Contracts

Answer three only of the following five questions

1. What is the right of stoppage in transitu of goods, wares and merchandise by the seller?
2. Define consideration in the law of contracts, and distinguish between a good and a valuable consideration.
3. When can an offer to perform a contract be withdrawn?
4. What are "goods, wares and merchandise" within the meaning of the statute of frauds?
5. (a) Define mistake and give its effect on contracts.
   (b) Define misrepresentation and state its effect.

Corporations

Answer two only of the following four questions

1. Name some powers impliedly conferred on every corporation.
2. Name some powers which will not be implied.
3. Has a stockholder a right to examine the books of a corporation? If so, for what purpose?
4. What right has a stockholder to a share of the profits of a corporate business?

Partnership

Answer one only of the following questions

1. Can one partner transfer his interest to a stranger without consent of his co-partners?
2. Describe general, special, ostensible, secret and silent partners.

Federal Taxes

Answer both of the following questions

1. Are domestic partnerships obliged to make income tax returns?
2. Is the income of interest on Liberty bond issues taxable under the law in force July 1, 1918? If so, to what extent?

COMMERCIAL LAW

Monday, June 9, 1919, from 8:00 A. M. to 12:00 M.

1. (a) What is a common carrier?
   (b) What is the difference between intra-state and inter-state commerce?
   (c) Which is controlled by the federal and which by the state governments?
   (d) To what extent and upon what theory did the federal government enlarge its jurisdiction over commerce during the Great War?
   (e) What is the difference between a straight and an order bill of lading?
2. (a) Name the principal classes of public service corporations.
   (b) What is the minimum number of stockholders who may incorporate in Michigan?
   (c) If all of the stock of a corporation is transferred to one person, what effect does that have on (1) its corporate life and (2) on its power to further transact business?
   (d) Name two ways in which a Michigan corporation can be legally dissolved?
   (e) Must every director be a stockholder?
   (f) Are the executive officers such as president, vice-president, secretary and treasurer elected by the stockholders or by the directors?
   (g) Must all of these executive officers be stockholders, and if not, which must and which need not be stockholders?
3. (a) Was the power of one corporation to hold stock in another corporation enlarged by Act 254 of 1917 in Michigan and if so, to what extent?
   (b) What do you understand by a subsidiary corporation?
   (c) What is meant by preferred stock being preferred both as to assets and dividends?
   (c) When may preferred stock participate in the election of directors?
   (d) A Michigan corporation has $500,000 common stock paid in and $100,000 preferred stock paid in; how much additional preferred stock can its stockholders authorize?
   (e) What is meant by the stockholders cumulative voting law and what is its purpose?

(f) What are the maximum and minimum amounts for which a company may be incorporated in Michigan?

(g) Under the decision in *Dodge* v. *Ford Motor Co.*, 204 Mich. 459: (1) Is there any limit to the amount of capital assets which a corporation may have? (2) What distinction is made between capital stock and capital assets? (3) What rule is laid down relative to the duty of directors to declare dividends?

(h) What percentage of the authorized capital stock must be subscribed and what percentage paid in before a company can incorporate in Michigan?

4. (a) What is usury?
(b) What is the contract rate, and what the legal rate of interest in Michigan?
(c) If A gives B his note drawing 6% interest and C purchases the note so as to net him 10%, is this usury?

5. (a) What persons are incapable in law of making contracts?
(b) Are contracts made on Sunday valid in Michigan?
(c) Are contracts made on legal holidays or election days valid?
(d) What contracts must be in writing?

6. (a) If property in Michigan is deeded to husband and wife without defining the interest of each, (1) Is the interest of either subject to execution for his debts? and (2) When one dies is it necessary to probate his estate in order to show good title to such real estate in the surviving spouse?
(b) Can two persons deposit money in the bank in such wise that on the death of one, the fund will pass to the survivor without probate proceedings? If so, suggest a proper form for such deposit?
(c) If man and wife sell real estate taking back a purchase money mortgage to them jointly, and one of them dies, does the interest of the deceased in the mortgage pass to the survivor without probate proceedings?
(d) Give your idea of what title notes or contracts must and what need not be filed with the clerk in order to be good as to third parties and creditors under the recent case of *Young* v. *Phillips?*
(e) Give your idea of the difference between a pure contract of conditional sale and a title note where the purpose is security?

7. (a) Is the Bankruptcy Act a state law or a federal law?
   (b) In what year was it adopted?
   (c) What are the respective functions of a Receiver, a Referee and a Trustee in Bankruptcy?
   (d) Is the interest of the vendor in a land contract covering Michigan land taxable under the mortgage tax law?
   (e) If so, can this tax be paid without having the contract recorded?
   (f) What is meant by a merchantable title to real estate?
8. (a) Jones, a resident of Michigan, owns bonds issued by Michigan municipalities prior to September 1, 1909; are they subject to state, county and city, etc., taxes?
   (b) He owns Michigan municipal bonds issued since that date; are they taxable?
   (c) He owns bonds issued by municipalities of other states; are such bonds taxable and if so, what is the amount of the tax; where must he pay it; and will one payment be sufficient for the life of the bonds or must it be paid annually?
   (d) What theory underlies taxes for local improvements?
9. (a) When was the new Federal Revenue Law signed by the President?
   (b) Under this law, what is the normal income tax rate (1) for individuals for taxable year 1918; (2) for individuals for taxable year 1919; (3) for corporations for taxable year 1918; (4) for corporations for taxable year 1919?
   (c) Under this law will the surtax rates for taxable year 1918 vary from surtax rates for taxable year 1919?
   (d) Under this law, are individuals and partnerships subject to the excess profits and war profits taxes? Give reasons which prompted Congress to its conclusion on this question?
   (e) Under this law what are the excess profits tax rate (1) for taxable year 1918; (2) for taxable year 1919?
   (f) Will corporations be required to pay War Profits taxes for taxable year 1919 if law remains unchanged?
   (g) Compare the capital stock provisions of the new law with that of the prior law as to (1) amount under each law per $1,000; (2) exemption under each law.
   (h) Are the inheritance tax rates greater or less under the new law than under the prior law?

10. (a) What is invested capital under the new Revenue Act?

(b) Can the value of property conveyed to a corporation by a stockholder as a gift be treated as paid in surplus so as to become invested capital? Give reasons.

(c) A stockholder conveys to a corporation for a cash consideration of $5,000, property worth $10,000 at the time of conveyance. Can the excess of $5,000 be treated as paid in surplus so as to become invested capital? Give reasons.

(d) Will invested capital be increased by a reappraisal of capital assets?

(e) Will such reappraisal operate to increase taxable income before such assets are sold?

(f) What do you understand by personal service corporations?

(g) If not less than 30% of the net income of a corporation is derived from a separate trade or business or from a distinctly separate branch of the trade or business in which the employment of capital is not a material income producing factor, briefly what is the difference in the method of computing the excess profits tax?

(h) In your judgment are stock dividends taxable income under the decision in *Towne* v. *Eisner,* and would you recommend to your clients that they return such dividends as income and pay the tax thereon?

(i) A sells B for $50,000 certain property which A purchased in 1914 for $30,000 and B agrees to pay A, in addition to the purchase price, the income taxes which A may be required to pay on the profit of $20,000. Does the payment of such taxes to A amount to income to A which he will be required to report as taxable income?

(j) Are contributions made by a corporation to religious, charitable, scientific or educational corporations deductible from gross income for purpose of ascertaining net taxable income?

PRACTICAL ACCOUNTING

PRACTICAL ACCOUNTING

Friday, December 17, 1915, from 1:30 P. M. to 6:30 P. M.

Problems 1, 2, 3 and two of last four required. Ten credits allowed for neatness and general appearance.

1. (25 Credits)

The Michigan Machine Works finds on December 31, 1915, that their heavy orders make it undesirable to suspend operation for inventory taking, but instruct you to close the books and prepare a statement on the basis of previous years' experience. The Trial Balance is as follows:

MICHIGAN MACHINE WORKS

Imprest Cash	$ 100.00	
Pay Roll Fund	500.00	
First & Old Detroit Nat'l Bank	14,000.00	
Notes Receivable	42,000.00	
Accounts Receivable	222,000.00	
General Stores	550,000.00	
Productive Labor—Factory	375,000.00	
Productive Labor—Foundry	70,000.00	
Manufacturing Exp.—Factory	200,000.00	
Manufacturing Exp.—Foundry	35,000.00	
Commercial Expenses	125,000.00	
Real Estate	15,000.00	
Buildings—Factory	175,000.00	
Buildings—Foundry	50,000.00	
Patterns	12,000.00	
Dies	8,000.00	
Office Furniture and Fixtures	2,500.00	
Automobiles and Trucks	6,000.00	
Factory Equipment	300,000.00	
Foundry Equipment	50,000.00	
Treasury Stock	120,000.00	
Treasury Bonds	150,000.00	
Taxes	4,000.00	
Bond Issue Expense	12,000.00	
Insurance	3,000.00	
Bills Payable		$ 160,000.00
Notes Receivable Discounted		28,000.00
Accounts Payable		190,000.00

Salaries and Accrued Pay Roll...	30,000.00
Capital Stock	500,000.00
Surplus	6,700.00
Preferred Stock	250,000.00
Bonds	240,000.00
Accrued Expenses	5,000.00
Accrued Dividends (Preferred)..	8,400.00
Reserve for Bad Debts	26,000.00
Res. for Depreciation—Factory..	44,000.00
Res. for Depreciation—Foundry..	15,000.00
Sales—Factory	880,000.00
Sales—Foundry	150,000.00
Sales—Scrap	4,000.00
Cash Discount	1,500.00
Miscellaneous Earnings	2,500.00
$2,541,100.00	$2,541,100.00

You find it necessary to make adjustments on account of these considerations: Depreciation on Factory Buildings, 4%; Foundry Buildings, 5%; Factory Equipment, 6 2-3%; Foundry Equipment, 10%; Automobiles and Trucks, 25%; Office Furniture, 10%; Patterns, 15%; Dies, 25%. Apportionment of Insurance Account:

Factory	$1,500.00
Foundry	500.00
Unexpired	1,000.00

Apportionment of Taxes Account:

Commercial Expense	$1,000.00
Factory	1,000.00
Foundry	300.00
Unearned	1,700.00

The Bonds mature twelve years later, having been issued three years before.

Analysis of the results for the preceding three years shows that the following percentages obtained:

	Factory	Foundry
Labor in product.....	33⅓%	30%
Material in product.....	25	30
Manufacturing Expense in product..	20	15
Gross Profit	21⅔	25
	100%	100%

Prepare Balance Sheet, Manufacturing, Trading and Profit and Loss Statement and Surplus Account.

2. (20 Credits)

The private books of a merchant present the following condition December 31, 1915. Assume (1) that all deductible taxes have been retained at the source, (2) that he is married, (3) that his wife's income from her separate estate is in excess of $3,000.00. Prepare Income Tax report on form herewith.

Real Estate		$200,000.00	
Life Annuity		60,000.00	
Town Residence		35,000.00	
City of Detroit 4% Bonds		25,000.00	
U. S. Lumber Co. 1st Mortgage Bonds		50,000.00	
Cash in Band		3,250.00	
Profit and Loss Account—			
Loss on realty sold	$ 3,000.00		
Loss on stock transactions	5,000.00		
Life Insurance premiums	3,000.00		
Income Taxes and tax deductions	1,250.00		
Depreciation—Real Estate	5,000.00		
Depreciation—Residence	1,750.00		
Interest on R. E. Mortgage	3,000.00		
Taxes on Real Estate	2,700.00		
Taxes—special improvement	500.00		
Personal Taxes	1,000.00		
Repairs to rent property	1,000.00		
Repairs to residence	500.00		
Wife's allowance	2,400.00		
Household Expenses	3,600.00		
	$33,700.00		
Profit on sale of realty bought January 6, 1915	$50,000.00		
Rent Income	12,000.00		
Salary	5,000.00		
Life Annuity	3,000.00		
Gain on stock transactions	5,000.00		
Partnership Profits	13,000.00		
Interest City of Detroit 4%	1,000.00		
Interest U. S. Lumber Co. 5%	2,500.00		
	$91,500.00		57,800.00
Mortgage			50,000.00
Reserve for Depreciation			20,250.00
Net Worth			245,200.00
		$373,250.00	$373,250.00

3. (15 Credits)
The Natomas Consolidated Gold Fields Company of California leased on January 1, 1909, from George D. Stratton his placer claims in the Yuba Valley for gold dredging. The term of the lease is 40 years. The consideration stated was to be a royalty of 50 cents per ounce of Gold Returns, provided however that in no year would the payment be less than $10,000.00, subject to the right of lessee to recover any excess paid over royalty when and if the production exceeded 20,000 ounces in any one of the six years ending December 31, 1914.
From the following production report prepare the proper entries, showing all accounts affected and transcript of the lessors account as it would appear on the books of the lessee December 31, 1915. Include the consideration of federal income tax deducted at the source.

Year	Ounces
1909	15,226
1910	18,394
1911	19,626
1912	25,620
1913	26,240
1914	27,520
1915	30,246

4. (15 Credits)
A contractor proposes to build a bridge to Belle Isle and accept the City's 4% 20-year Bonds to the amount of $2,000,000.00 in payment. He advocates as a means of retiring the bonds the establishment of a toll system on foot passengers and automobiles at the respective rates of one cent and five cents each. Assuming the ratio of foot passengers to automobiles to be ten to one, how many of each would be necessary to pay the interest annually and create a fund which placed at the same rate of interest would be sufficient to retire the bonds at maturity?
Note: $1.00 compounded at 4% for 20 years=$2.19112314.

5. (15 Credits)
The Pioneer Trust Company engages you to revise its system of accounting with a view to adjusting its Balance Sheet daily, to include accruing Earnings and Expenses. With the following "Statement of Condition" as a guide indicate what procedure you would adopt to change the books from a purely cash to the accrual basis. Let it be understood that the loans and other securities as well as deposits bear various rates of interest. Would you attempt to accrue all classes of earnings and expenses?

RESOURCES		LIABILITIES	
Collateral Loans	$ 609,209.87	Capital	$ 500,000.00
Loans on Real Estate	1,313,827.36	Surplus	500,000.00
Bonds	1,247,895.76	Undivided Profits	364,770.51
Bonds & Mortgages with State Treasurer	208,100.00	Trust Deposits	3,216,205.52
Advances to Trusts	39,866.52	Accrued Taxes	39,640.08
Cash and Due from Reserve Agents	1,201,716.60		
Vaults, Furniture and Fixtures	Nothing		
	$4,620,616.11		$4,620,616.11

6. (15 Credits)
How would you proceed to change the Accounting system of a city of 30,000 population from the Receipt-Disbursement to the Balance Sheet-Revenue and Expense system of accounting?

7. (15 Credits)
Prepare a chart of accounts for an automobile company building auto-trucks exclusively. Company buys all parts for assembling but maintains a machine shop for completing same, a paint shop and a finishing department.
Arrange for monthly closing of the books by means of perpetual inventories and show how reports of material, labor and burden should be handled.

PRACTICAL ACCOUNTING

Friday, December 22, 1916, from 1:00 P. M. to 6:00 P. M.

Problems 1, 2, 3 and one of last two required.
Ten credits allowed for neatness and general appearance.

1. (25 Credits)
The Meteor Motor Company's fiscal year closed June 30, 1916. You are requested to prepare a Financial Statement and Manufacturing Trading and Profit and Loss Account from the following data taken from the books as of December 31, 1916:

TRIAL BALANCE

Cash	$ 1,836,000.00
Accounts Receivable, Cars	1,580,000.00
Parts and Repairs	98,000.00

Sundry	40,000.00	
Advances	21,000.00	
Commercial Expenses	685,000.00	
Plant Investment	5,440,000.00	
Car Material Inventory 6/30/16	2,466,000.00	
Car Material Purchased from 6/30/16	12,483,000.00	
Operating Supplies Inventory 6/30/16	181,000.00	
Operat. Sup. Purchased from 6/30/16	1,367,000.00	
Productive Labor from 6/30/16	2,373,000.00	
Non-Productive Labor from 6/30/16	2,167,000.00	
Manufacturing Expenses	857,000.00	
Accounts Payable		$ 1,115,000.00
Dealers Deposits		310,000.00
Accrued Pay Roll		135,000.00
Sundry Reserves		50,000.00
Capital Stock		6,000,000.00
Surplus		3,295,000.00
Revenues—Touring Cars		17,518,000.00
Roadsters		2,390,000.00
Chassis		17,000.00
Parts and Repairs		378,000.00
Scrap		61,000.00
Miscellaneous		90,000.00
Purchase Discounts		200,000.00
Interest		35,000.00
	$31,594,000.00	$31,594,000.00

It appears that depreciation of plant to June 30, 1916 had been written off the face of the account to the amount of $344,000.00 and that no depreciation for the current year had been considered, but same amounts to say, $235,000.00 for the 6 months. The productive labor element in Car Material Inventory of June 30, 1916 amounted to $182,000.00 with corresponding overhead of $273,000.00. Special Tools, Dies and Patterns were erroneously included in Manufacturing Expenses to the amount of $450,000.00. Also included in the latter account were taxes and insurance paid $95,000.00 with only $45,000.00 accrued or expired.

The sales of cars for the 6 months were as follows, with the relative costs as determined by the Cost Department:

	No. Sold	Material Cost	Labor Cost	Mfg. Burden Cost	Total Cost
Touring	26,860	$350.00	$75.00	$110.00	$535.00
Roadsters	3,717	350.00	75.00	110.00	535.00
Chassis	37	275.00	60.00	88.00	423.00

Parts and Repairs are estimated to be sold at 100% gross profit and the ratio of cost elements correspond with finished cars.

Miscellaneous Sales represent sales of car material at cost. Scrap in this case represents a credit to Profit and Loss.

2. (25 Credits)

Smith and Jones own all of the outstanding capital stock of the Chemical Company except one share necessary to complete the corporation, the latter share having been assigned to them. They also own $25,100.00 par, or 251 shares, of the capital stock of the Colomor, a subsidiary company, and an option on behalf of the former Company to purchase the entire capital stock of the Cadelec Company, a foreign corporation, all as of January 1, 1916. Statements of the assets and liabilities of the three companies are furnished as follows:—

Assets	Chemical Co.	Colomor Co.	Cadelec Co.
Plant	$418,740.00	$ 46,020.00	$ 28,829.00
Patents and Good Will	1.00	.....	.....
Inventories	300,000.00	18,803.00	50,000.00
Accounts Receivable	159,249.00	21,727.00	40,889.00
Sundry Debtors	40,934.00	.....	.....
Notes Receivable	3,000.00	.....	.....
Cash	76,482.00	20,190.00	11,702.00
Prepaid Expenses	1,175.00	204.00	440.00
	$999,581.00	$106,944.00	$131,860.00
Liabilities			
Capital Stock	$450,000.00	$ 61,600.00	$ 10,000.00
Current	107,329.00	11,703.00	18,377.00
Surplus	442,252.00	33,641.00	103,483.00
	$999,581.00	$106,944.00	$131,860.00

It develops that the Cadelec figures are incomplete pending report on the appraisal and inventory which latter when supplied increases the value of Real Estate $29,050.00, Plant $31,-148.00, and Inventories $16,963.00.

A new company is formed to take over all of the assets and liabilities of the parent company, issue $1,000,000 preferred stock which is sold at par and 40,000 shares of common stock of no par or nominal value.

Smith and Jones received $740,825.00 in cash and 36,390 shares common stock for their entire holdings. The Cadelec option is exercised. The stockholders of the Cadelec Company receive

$115,000.00 in cash and 2,875 shares in common stock. The organizers purchase 5 shares of common stock for cash at $100.00 each and agree to retain in the treasury funds sufficient to purchase all the remaining outstanding shares of Colomor at par, together with 2 shares of common stock of the new company for each share so outstanding.

Prepare a statement of the new company after giving effect to the above transactions and show also a consolidated balance sheet.

3. (20 Credits)

Taking the several items of assets and liabilities in problem 2, state briefly the necessary steps in arriving at the valuation of the capital stock of the Chemical Company to warrant the investment by the underwriters and to justify payment therefor, of $740,825.00 in cash and 36,390 shares of common stock.

4. (20 Credits)

(a) A Michigan firm pays its taxes promptly to escape penalty. On closing December 31, the tax account stands as follows:—

City Taxes	$2,400.00
State and County Taxes	1,200.00
Income Tax	600.00

What action would you pursue in respect to these balances in closing the books?

(b) A firm whose fiscal year closes November 30 has insured the life of one of the officers for $10,000 on a participating endowment policy running ten years; the annual premium is $1,041.80 payable July 1. The successive cash surrender values are as follows:—

End of		End of	
1st year	$ 735.80	6th year	$ 5,433.00
2nd year	1,603.30	7th year	6,494.70
3rd year	2,504.10	8th year	7,599.40
4th year	3,439.80	9th year	8,750.20
5th year	4,412.10	10th year	10,000.00

The books are closed monthly. Show by periods and amounts what treatment you would give the premiums and dividends in the books.

5. (20 Credits)

(a) A Manufacturing Corporation with an outstanding issue of $500,000.00 and a surplus of $300,000.00, with stock active on an Exchange, asks you to state the amount and method of computing its Federal capital stock taxes paya-

ble in 1917. The stock you find has averaged 120 in the market quotations. Show method, rate, periods, and amount.

(b) If the stock were not active on exchange, what course would you pursue?

PRACTICAL ACCOUNTING

Friday, November 16, 1917, from 9:00 A. M. to 1:00 P. M.

Candidates are required to answer four questions out of five.

1. The following is the balance sheet of the A. B. Company, January 1, 1915:

Cash	$ 52,864	Accounts Payable	$ 35,482
Accounts Receivable	197,425	Dividends Payable preferred stock Feb. 1, 1915	7,500
Inventories:		Dividends Payable common stock Feb. 1, 1915	10,000
Raw Material	84,268	Mortgage Bonds 20 year at 6% dated January 1, 1915	100,000
Finished Goods	31,597	Premium on Bonds	5,000
Office Furniture and Fixtures	7,500	Capital Stock—preferred	250,000
Land	180,000	Capital Stock—common	500,000
Buildings	150,000	Reserve for Bad Debts	4,718
Machinery	250,000	Surplus	40,954
	$953,654		$953,654

The transactions for the year ending January 1, 1916, have been as follows:

Cash received from customers	$793,501
Rent received	600
There has been purchased 1,232,000 lbs raw material at 20 cents per lb.	
Sales have been	823,334
Discount and allowances on sales	23,519
Bad debts written off	2,143
Disbursements have been made for	
Accounts payable	243,356
Factory expense	7,489
Factory labor	351,426
Factory repairs	23,843

Office expense	1,927
Selling expense	52,914
Salaries	58,471
Taxes	7,853

Inventories January 1, 1916

Raw material 412,595 lbs. having a market value of 22 cents per lb. and finished goods $30,842. The land is estimated to be worth $200,000.

Semi-annual dividends of 3% on preferred and 2% on common, declared in June and December, payable August 1 and February 1. Reserves for depreciation of buildings 3%; machinery 5%; office fixtures 10%. Bad and doubtful debts reserve should be 2% of accounts receivable.

Prepare an operating statement and balance sheet as on January 1, 1916.

2. From the following accounts appearing on the trial balance prepare without using figures, statements which you consider best calculated to set forth the operations of the year and the financial position at December 31, 1916, assuming that you are preparing these statements on behalf of a bank which desires paper available for rediscount with the Federal Reserve Bank.

Accounts payable
Accounts receivable
Advertising
Buildings
Capital stock
Capital stock unsubscribed
Cash on deposit
Commissions paid salesmen
Depreciation buildings 1916
Depreciation machinery 1916
Discount allowed on sales
Discount received on purchases
Doubtful accounts receivable
Factory expense
Finished goods inventory December 31, 1915
Freight and cartage inward
Freight and cartage outward
Fuel
Good-will
Insurance buildings and machinery
Insurance finished goods
Insurance unexpired buildings and machinery
Insurance unexpired finished goods
Interest accrued on investments
Interest accrued on mortgage payable
Interest paid
Interest received
Investments
Labor factory pay roll
Land
Machinery
Material inventory December 31, 1915
Material purchased
Mortgage on plant
Notes payable
Notes receivable
Office expenses
Office furniture and fixtures
Office pay roll
Organization expenses (to be distributed over three years from January 1, 1916)
Pay roll factory accrued
Pay roll office accrued
Petty cash
Prepaid taxes real estate

Profit and loss 1915 surplus	Salaries salesmen
Repairs buildings	Sales
Repairs machinery	Salesmen accounts—advances on salaries
Reserve for bad and doubtful accounts	Subscriptions and donations
Reserve for depreciation buildings	Taxes income U. S.
Reserve for depreciation machinery	Taxes real estate
Returns and allowances on sales	Work in process inventory December 31, 1915
Salaries general officers	

The inventories December 31, 1916, not on the books were:

Finished goods	Material work in process

3. Company A purchased on January 1, 1917, the entire capital stock of Company B at $175 per share, and the entire stock of Company C at $80 per share.

You are handed the balance sheet as understated at June 30, 1917, and are requested to prepare a consolidated balance sheet of the A Company and its subsidiary companies at that date.

BALANCE SHEET—COMPANY A

Property and good-will	$ 850,000	Capital Stock	$2,250,000
Stock of subsidiary companies	1,500.000	Current liabilities	150,000
Current assets	700,000	Surplus, January 1	525,000
		Undivided profit for one-half year	125,000
	$3,050,000		$3,050,000

BALANCE SHEET—COMPANY B

Property and good-will	$650,000	Capital Stock	$400,000
Current assets	60,000	Current liabilities	10,000
		Surplus, January 1	200,000
		Undivided profit for one-half year	100,000
	$710,000		$710,000

BALANCE SHEET—COMPANY C

Property (as appraised January 1, 1917)	$1,130,000	Capital Stock	$1,000,000
Current assets	180,000	Current liabilities	240,000
		Surplus, January 1	30,000
		Undivided profit for one-half year	40,000
	$1,310,000		$1,310,000

There are no intercompany accounts or inventories.

4. Frame any entries necessary to record the action of the directors as it appears in the minutes of the meeting of August 15, 1917, of which the folowing is a synopsis, and the action of the

officers taken pursuant to authority conferred on them by such minutes:

The treasurer reported that the profits for the year as audited amounted to $59,287. Voted that a dividend of $40,000 be paid on October 1 to the stockholders of record September 15 and that $10,000 of the profits be appropriated as a reserve for relief of employes disabled while in the service of the United States and invested in Liberty Bonds.

The treasurer reported that he had an offer of $1,000 in settlement of a debt of $3,000 of the A. B. C. Company, which had been written off as irrecoverable in 1914. He was authorized to accept the same in full settlement.

The president reported that he had secured tenders for new building planned in the amount of $185,000. He was authorized to execute a contract accordingly.

The president reported that a firm of bankers had offered to purchase $200,000 of the company's twenty-year 5% bonds to be dated October 1, 1917, at 93 and accrued interest. He was authorized to accept the offer and deliver bonds on that date.

5. A owns an annuity of $50 per annum, the first payment on which falls due one year hence, and which continues for a period of twenty years certain. State

(a) The present value of the benefit

(b) The amount which he will have accumulated at the end of the period if he invests each moiety as it becomes due.

Assume interest at 4% payable annually. In this connection the value of (1.04) is stated to be equal to 2.191123.

PRACTICAL ACCOUNTING

Friday, May 17, 1918, from 9:00 A. M. to 1:00 P. M.

The candidate is required to answer questions 1 and 2 and four other questions.

1. BALANCE SHEET

December 31, 1916

ASSETS

Cash	$3,000.00	
Accounts Receivable	15,700.00	$ 18,700.00

Inventories:			
Finished goods		145,500.00	
Goods in process		8,350.00	
Materials		55,000.00	217,850.00
			$236,550.00
Land		40,000.00	
Buildings	$94,000.00		
Less reserve for depreciation	14,000.00	80,000.00	
Machinery and fixtures	81,000.00		
Less reserve for depreciation	21,000.00	60,000.00	180,000.00
Deferred charges:			
Insurance and taxes			1,100.00
Total assets			417,650.00
Deficit			52,850.00
			$470,500.00

LIABILITIES

Notes Payable	$275,000.00	
Accounts Payable	15,500.00	$290,500.00
Capital Stock:		
Preferred	100,000.00	
Common	80,000.00	180,000.00
		$470,500.00

The foregoing was the balance sheet of a corporation, December 31, 1916, incorporated January 1, 1910, and during the ensuing year there occurred the following transactions:

Sales, net	$550,000.00
Purchases, net—raw material	347,000.00
Raw material inventory increased	64,000.00
Labor	60,000.00
Total manufacturing expense	35,900.00
Process inventory increased	20,000.00
Finished goods inventory increased	36,000.00
Total selling expense	35,000.00
Total administrative expense	26,000.00

Notes payable have been renewed as they became due, except that $100,000.00, held by the largest owners in the company, has been donated to the company, July 1, 1917; $5,000.00 of 3½% Liberty bonds have been bought; $2,000.00 has been donated to the Red Cross.

NOTES:

Depreciation on buildings, estimated life 47 years, beginning January 1, 1910.

Depreciation on machinery, estimated life 27 years, beginning January 1, 1910.

Accounts receivable were $45,000.00, and accounts payable $15,000.00 at the close of the year.

There was accrued interest payable $2,500.00, December 31, 1917.

Prepare an operating and profit and loss statement for the year and a balance sheet as on December 31, 1917; and calculate taxes to be paid to the United States government.

The pre-war profits were respectively $14,000.00, $8,250.00 and $5,500.00, for the years 1911, 1912 and 1913; and the invested capital for the corresponding years $160,000.00, $160,000.00 and $140,000.00.

2. During the year ended December 31, 1917, the A. B. C. Cotton Mills produced 3,893,000 pounds of finished product. There were turned into the mill during the year 4,250,000 pounds of cotton, costing $750,000.00, and 175,000 pounds of yarn, costing $60,000.00. The stock in process at the beginning of the year amounted to 150,000 pounds valued at $20,000.00, and at the end of the year to 200,000 pounds, valued at $60,000.00. Waste produced during the year was 420,000 pounds and realized $26,000.00. The factory expenses were: Superintendence, $5,000.00; labor, $160,000,00; fuel, $20,000.00; oil, $1,500.00; mill supplies, $12,500.00; burlap, $4,500.00, and starch and sizing, $7,500.00. For its finished product sold the company realized $1,250,000.00. On the first of the year the value of the finished product on hand amounted to $26,000.00, and at the end of the year to $78,000.00. The selling expenses of the company amounted to $80,000.00, its general expenses to $22,500.00, and its extraordinary expenses not applicable to the cost of production to $50,000.00.

   Prepare a comprehensive income account covering the year's operations and give statistics as to the sales and cost of production per pound by items with the invisible gain or loss during the year on cotton passing through the mill.

3. With what accounts of a bankrupt company would you open the books of the receiver? State your reasons for so doing.

4. Mention three classes of transactions which a debit item may represent in a personal account.

5. You are asked by a client to discuss with him the question of reserves for depreciation and depletion of his various capital assets. State your position on this subject and enumerate the considerations you would advance in support thereof. Would you or would you not be guided by the rules laid down by the internal revenue authorities in deciding upon the rates to be used?

6. Explain what is understood by a "book inventory" and indicate in what circumstances and for what purposes you would consider such a record to be of use in a manufacturing business:
   (a) For current information
   (b) For use in the preparation of interim statements of accounts
   (c) For use in the preparation of final yearly or half-yearly accounts.

   Assuming your client decided to rely entirely upon such book records, what steps should be taken to guard their accuracy?

7. What particular features is it necessary to bring out in the preparation of the annual accounts of a municipal or county government?

8. You are called upon to advise a client who has large dealings, both buying and selling, with foreign countries, involving questions of foreign moneys and exchange. What general principles would guide you in advising him?

9. How should a re-appraisal of capital assets be treated on the books of a going concern:
   (a) When it involves an appreciation
   (b) When it involves a depreciation?

   Is such appreciation or depreciation a consideration which should be reflected in a return of net income to the federal authorities for income and excess profits tax purposes?

PRACTICAL ACCOUNTING

Tuesday, November 19, 1918, from 9:00 A. M. to 1:00 P. M.

1. The following items appear on the balance sheet of the American Pin Company, June 30, 1912: Land, buildings, equipment, etc., $335,000; capital stock of the Bronx Pin Ticket Company, par $50,000; cost, $57,400; patents, $15,000; working and trading assets, $37,500; cash, $10,000; accounts receivable, $32,000;

due from Bronx Pin Ticket Company, $375.82; deferred assets, $1,500; first mortgage 6% gold bonds payable, due 1922, $100,000; taxes accrued, $3,250; salaries and wages accrued, $4,327.82; accounts payable, $123,749.83; notes payable and interest, $80,125; interest accrued on first mortgage bonds payable, $2,500; reserve for depreciation of building and equipment, $35,000; preferred capital stock outstanding, $75,000; common capital stock outstanding, $50,000; profit and loss surplus, $14,823.17.

The American Pin Company having acquired all the capital stock of the Bronx Pin Ticket Company, the balance sheet of which appears below, it is proposed to merge the two companies as of July 1, 1912.

THE BRONX PIN TICKET COMPANY

Assets—Land, buildings, and equipment, etc., $260,000; capital stock of the Blauser Pin Tray Company carried at par, $35,000; patents, $22,625; working and trading assets, $10,000; cash, $10,365.27; accounts receivable, $37,943.86; sinking fund, $3,236.92; deferred charges to expense, $1,200. Liabilities and capital—First mortgage 5% gold bonds payable, due 1925, $50,000; taxes accrued, $2,750; salaries and wages accrued, $3,147,83; due to creditors, $144,720.30; due to American Pin Company, $375.82; notes payable and interest, $31,372.53; interest accrued on first mortgage bonds payable, $1,250; reserve for depreciation of plant and equipment, $27,500; common capital stock outstanding, $50,000; profit and loss surplus, $69,254.57.

Prepare:

(a) The entries on the books of the American Pin Company

(b) The entries on the books of the Bronx Pin Ticket Company

(c) Balance Sheet of the American Pin Company after the merger.

2. The following problem is based upon the estimate cost system. No factory ledger will be used, all accounts being kept on the general ledger. The business is the making of men's clothes, and two principal materials will be used, fine woolens and plain woolens, on which stock records will be kept. Stock records will also be kept for finished goods.

(a) The following styles of clothing will be made, and they are estimated to cost:

	Style 801	Style 802	Style 803
Materials used	$12.50	$ 8.00	$ 4.00
Supplies (linings, buttons, etc.)	3.00	2.50	2.00

Labor	9.00	6.00	4.50
Factory expenses, 60%	5.40	3.60	2.70
	$29.90	$20.10	$13.20

Note that the estimated costs are subdivided into four sections and that the accounts must be kept to record the corersponding subdivisions of operating costs.

(b) The company starts with the following:

	Dr.	Cr.
Machinery and equipment	$10,000.00	
Cash	40,000.00	
Capital Stock		$50,000.00

(c) The purchases for the first month according to voucher record are:

Materials, fine woolens, 2,000 yds., at $3.00	$ 6,000.00
Materials, plain woolens, 3,000 yds., at $1.50	4,500.00
Rent of factory	500.00
Lining, buttons and thread, etc.	3,400.00
Salesmen's commissions paid	700.00
Office expenses	120.00
Repairs to machines and equipment	350.00
Electric power	440.00
Oil waste and other factory supplies	225.00
	$16,235.00

(d) The payrolls are summarized as follows:

Foreman and timekeepers	$ 250.00
Tailors, cutters, etc. (direct labor)	4,600.00
Office and salesmen's salaries	750.00
Inspectors and other indirect factory wages	435.00
	$6,035.00

(e) Depreciation on equipment is calculated at 1% per month.

(f) The cutting room foreman reports having taken from stock and cut the following materials for use on garments in progress:

1,400 yds. fine woolens 2,200 yds. plain woolens

(g) The tailoring foreman reports the following garments finished and placed in stock:

Style No. 801.....200 pieces
" " 802.....300 "
" " 803.....200 "

(h) The sales record is as follows:

Invoice No. 1	Style No.	801	100	pieces	$4,000.00
	" "	803	100	"	2,000.00
" " 2	" "	801	50	"	2,050.00

"	"	3	"	"	802	100	"	..... 3,000.00
"	"	4	"	"	802	100	"	..... 2,800.00
			"	"	803	25	"	..... 450.00
								$14,300.00

(i) Hint: Make entry for cost of sales.
(j) Received cash from customers, $9,000.00.
(k) Paid out cash for wages, $6,035.00, and vouchers, $7,650.
(l) Inventories at end of month. (In addition to stocks of raw materials and finished goods as shown by stock records.)

Supplies, $1,000.00.
Unfinished goods:
Style No. 801, 50 pieces.
All material cut.
All supplies provided.
Labor half completed.
Style No. 802, 100 pieces.
All material cut.
Half of supplies provided.
Half of labor finished.

(m) Prepare balance sheet and profit and loss account for the month. Add or deduct from cost of sales, when preparing profit and loss account, the unabsorbed labor, expenses, etc.
(n) Show how balances of raw material and finished goods are made up.

3. A dealer in foreign exchange finds from his books that he has had the following transactions in London exchange during a particular month, viz.:

Exchange bought in local market:
Jan. 1 30-day bill, payable in London £300 at 4.75
Jan. 15 Bill due at sight in London £2,300 at 4.76
Exchange sold in local market:
Jan. 5 Bill due in London at sight £1,000 at 4.77
Jan. 20 Cable transfer £2,000 at 4.78
Foreign correspondents' draft honored and paid:
Jan. 20 Bill at 30 days after sight accepted Dec. 21 £500 at 4.78

State how the balance on the account stands at the close of the month, and how much profit or loss has been derived from the transactions. (At January 31 the rate for cable transfers is 4.80.) Is the profit or loss so stated final?

4. A distinction is made between funded debt and unfunded debt. Please define and compare, discussing the advantages and disadvantages, if any, attaching to each.

PRACTICAL ACCOUNTING

Monday, June 9, 1919, from 1:00 P. M. to 5:00 P. M.

The candidate is required to answer questions 1 and 2 and one of the last three.

1. (40 Credits)

The Cudmore Manufacturing Company owns and operates two plants with main factory at Detroit and the other at Jackson. These plants are operated as distinct units and a complete set of accounts is maintained at each office. The accounts are closed annually on December 31.

From the two trial balances as of December 31, 1918, which are given below, prepare two exhibits, viz.: Balance Sheets as of December 31, 1918 and Manufacturing, Trading and Profit and Loss Statements for the year ended December 31, 1918, to show the separate and combined results.

The invoices shown in the interplant accounts represent material sold by the Detroit plant to the Jackson plant at cost, plus 5% profit.

The inventories at the end of the year are as follows:

	Detroit	*Jackson*
Material	$47,500.00	$35,700.00
Supplies	830.00	270.00
Prepaid Expenses:		
Insurance	390.00	230.00
Taxes	680.00	340.00

In your answer, combine such figures of the trial balance as may be properly grouped in control.

	Detroit Plant		*Jackson Plant*	
	Dr.	Cr.	Dr.	Cr.
Petty Cash	$ 150.00		$ 150.00	
Cash in Bank	49,000.00		20,000.00	
Accounts Receivable	38,000.00		24,000.00	
Material Inventory Jan. 1, '18	48,000.00		35,000.00	
Supplies Inventory Jan. 1, '18	500.00		300.00	
Plant Buildings	52,000.00		41,000.00	
Plant Equipment	11,000.00		8,000.00	
Plant Betterment	3,000.00		4,000.00	
Real Estate	7,000.00		5,000.00	
Furniture and Fixtures	2,000.00		1,000.00	
Machinery	35,000.00		26,500.00	
Tools	8,000.00		9,500.00	
Patterns	9,000.00		7,500.00	

Accounts Payable		$ 10,000.00		$ 25,000.00
Notes Payable		8,000.00		6,000.00
Accrued Wages		1,000.00		800.00
Miscellaneous Revenue		1,500.00		300.00
Reserve for Bad Debts		450.00		100.00
Reserves for Depreciation:				
Plant		18,900.00		13,000.00
Equipment		3,500.00		2,000.00
Furniture and Fixtures.		1,000.00		300.00
Machinery		10,000.00		8,500.00
Tools		5,400.00		5,000.00
Materials Purchases	129,300.00		90,000.00	
Direct Labor	44,000.00		28,000.00	
Misc. Factory Expenses	15,000.00		10,000.00	
Misc. Factory Labor	4,500.00		2,000.00	
Power, Light and Heat	3,900.00		3,000.00	
Power, Light & Heat Labor.	1,200.00		1,000.00	
Boiler and Engine Repairs..	500.00		300.00	
Factory Supplies Purchased	2,400.00		1,800.00	
Compensation for Injuries..	650.00		400.00	
Medical Expense	300.00		100.00	
Cartage in	1,200.00		1,000.00	
Freight and Express in	1,500.00		1,000.00	
Sales		239,600.00		181,550.00
Executive Salaries	3,600.00		3,600.00	
Office Salaries	4,700.00		2,000.00	
Stationery and Printing	1,500.00		750.00	
Insurance	1,000.00		700.00	
Taxes	1,200.00		1,000.00	
General Expense	500.00		500.00	
Telephone and Telegraph	400.00		300.00	
Interest	300.00		200.00	
Discount	1,200.00		700.00	
Traveling Exp., Executives..	200.00		200.00	
Postage	900.00		250.00	
Advertising	2,300.00		500.00	
Salesmen's Salaries and Exp.	4,200.00		3,200.00	
Packing and Shipping	6,200.00		4,300.00	
Freight and Express Out	800.00		600.00	
Cartage Out	1,800.00		200.00	
Capital Stock		100,000.00		
Jackson Plant	110,000.00			
Jackson Suspense Account	4,200.00			
Surplus & Undivided Profits		212,750.00		
Detroit Plant			7,100.00	
Capital Account				104,100.00
	$612,100.00	$612,100.00	$346,650.00	$346,650.00

"JACKSON PLANT ACCOUNT"
ON DETROIT BOOKS

1918		Dr.	Cr.
Jan. 1	Balance	$100,000.00	
Dec. 29	Cash for additional capital	10,000.00	
Dec. 31	Balance		$110,000.00
		$110,000.00	$110,000.00

"JACKSON CURRENT ACCOUNT"
ON DETROIT BOOKS

1918		Dr.	Cr.
Mar. 21	Cash		$ 2,500.00
Apr. 15	Invoice	$ 300.00	
May 3	Invoice	500.00	
May 12	Invoice	1,000.00	
May 17	Cash		2,500.00
June 10	Invoice	1,200.00	
June 15	Invoice	600.00	
July 1	Cash		2,500.00
Oct. 1	Cash		3,800.00
Oct. 1	Invoice	600.00	
Oct. 12	Invoice	250.00	
Oct. 15	Invoice	1,000.00	
Oct. 31	To Suspense Account		4,200.00
Nov. 1	Invoice	600.00	
Dec. 1	Invoice	400.00	
Dec. 10	Invoice	2,000.00	
Dec. 11	Invoice	1,000.00	
Dec. 11	Cash		1,150.00
Dec. 29	Invoice	2,460.00	
Dec. 31	Invoice	3,000.00	
Dec. 31	Cash	1,740.00	
		$ 16,650.00	$ 16,650.00

"DETROIT PLANT ACCOUNT"
ON JACKSON BOOKS

1918		Dr.	Cr.
Mar. 18	Cash	$ 2,500.00	
Apr. 15	Invoice		$ 300.00
May 3	Invoice		500.00
May 12	Invoice		1,000.00
May 15	Cash	2,500.00	
June 10	Invoice		1,200.00
June 15	Invoice		600.00
June 30	Cash	2,500.00	
Sept. 30	Cash	3,800.00	
Oct. 1	Invoice		600.00
Dec. 31	Balance Forward		7,100.00
		$ 11,300.00	$ 11,300.00

"CAPITAL ACCOUNT"
ON JACKSON BOOKS

1918		Dr.	Cr.
Jan. 1	Balance		$100,000.00
Oct. 12	Invoice		250.00
Oct. 15	Invoice		1,000.00
Nov. 1	Invoice		600.00
Dec. 1	Invoice		400.00
Dec. 10	Invoice		2,000.00
Dec. 11	Invoice		1,000.00
Dec. 11	Cash	$ 1,150.00	
Dec. 31	Balance Forward	104,100.00	
		$105,250.00	$105,250.00

2. (30 Credits)

The following Trial Balance of the Crystal Lake Development Company as of April 30, 1919 is furnished from which with added information you are requested to prepare a Financial Statement and Profit and Loss Account.

Cash on hand and in Banks	$ 1,000.00	
Liberty Bonds	5,000.00	
Contracts Receivable	48,000.00	
Land—100 Acres	175,000.00	
Improvements	25,000.00	
Int. on Mortgage and Notes Payable	6,900.00	
Exp. Organization and Development	13,100.00	
Expenses Operating	13,500.00	
Equipment Trench Digger	2,500.00	
Commissions Payable		$ 5,000.00
Sale of Buildings		3,000.00
Sale of Lots		60,000.00
Notes Payable		10,000.00
Mortgages Payable		105,000.00
Capital Stock		100,000.00
Income Rent		2,000.00
Income Interest		4,000.00
Income Miscellaneous		1,000.00

The company was organized May 1, 1918, to purchase acreage, subdivide same and sell through agents in lots on land contracts. One farm of 50 acres was purchased for $100,000.00, another of equal size for $75,000.00. The former was improved and subdivided into 400 lots on which selling prices were fixed and lots sold during April as follows, no sales having been made previously.

Subdivided	Selling Price	Lots Sold
100 Lots	$ 600.00	26
100 Lots	800.00	15
100 Lots	1,000.00	18
100 Lots	1,000.00	12

Down payments on land contracts had been $12,000.00 of which $4,000.00 was retained by the selling agents to apply on their commissions.

Treatment of development costs and carrying charges optional with candidate.

3. (30 Credits)

(a) Assuming that the Balance Sheets given below are dated January1, 1917, and December 31, 1917 respectively, prepare a statement showing the computation of the invested capital for the calendar year ended December 31, 1917 as defined in the Federal Revenue Act of 1917 (Income and Excess Profits Tax Law) and the regulations relative to this act, for the purpose of determining the excess profits tax.

(b) Assuming that the Balance Sheets are dated January 1, 1918 and December 31, 1918 respectively, prepare a statement showing the computation of the invested capital for the calendar year ended December 31, 1918 as defined in the Federal Revenue Act of 1918 (Income, Excess Profits and War Profits Tax Law) and the regulations relative to this act, for the purpose of determining the excess profits taxes.

(c) Prepare a statement showing the calculation of the Income Excess Profits and War Profits Taxes for the Calendar year ended December 31, 1918, ascsuming that the corporation was organized and incorporated in 1915.

BALANCE SHEETS

Assets	January 1	December 31
Cash	$ 22,842.69	$ 24,262.91
Accounts Receivable Trade	112,943.81	146,276.94
Inventories of Raw Material, Work in Progress, Finished Goods and Supplies	268,021.93	296,263.82
Liberty Bonds		50,000.00
Stocks and Bonds	60,000.00	60,000.00
Plant Machinery and Equipment	350,000.00	350,000.00
Prepaid Expenses	400.00	500.00
Good-Will (paid for in stock)	100,000.00	100,000.00
	$914,208.43	$ 1,027,303.67
Liabilities and Capital		
Vouchers Payable	$ 32,942.61	$ 62,821.96
Reserve for Taxes and Contingencies	30,000.00	30,000.00
Capital Stock, Issued January 1, 1916:		
Preferred	100,000.00	100,000.00
Common	200,000.00	200,000.00
Surplus and Undivided Profits	551,265.82	634,481.71
	$914,208.43	$ 1,027,303.67

Analysis of Surplus and Undivided Profits for the Year

Balance, January 1		$551,265.82
Dividends paid as follows:		
Preferred, paid monthly on last day of each month	$6,000.00	
Common:		
January 31	2,000.00	
February 28	2,000.00	
March 31	2,000.00	
June 30	6,000.00	
September 30	6,000.00	
December 20 (Christmas dividend)	3,000.00	
December 31	6,000.00	
		33,000.00
		$518,265.82
Net Profits for the year		128,477.87
		$646,743.69
Income (and Excess Profits) tax paid during year		12,261.98
Balance, December 31		$634,481.71

ANALYSIS OF STOCKS AND BONDS
(ALL ENTERED AT PAR, WHICH IS ALSO THE PURCHASE PRICE)

200 shares of the Capital Stock of the Fan Manufacturing Co., Flint, Mich.	$20,000.00
Bonds of the City of Anderson, Minnesota, 5%	10,000.00
Bonds of the Allegan and Huron Railroad, 6%	30,000.00
	$60,000.00

LIBERTY BONDS

For Question 1:	
Second Loan	$50,000.00
For Question 2:	
Third Loan	$25,000.00
Fourth Loan	25,000.00

In answering Question No. 3 it may be assumed that no unallowable deductions have been entered in the Profit and Loss account on the books. Non-taxable income should be figured from the data above. The Third Liberty Loan paid one coupon in 1918 in the amount of $14.90 per M. No dividends were received from the Fan Manufacturing Co. during 1918.

4. (30 Credits)

The Buzzer Automobile Company manufactures an assembled car. Following is a synopsis of its factory activities for a given period. Build up from the figures shown all of the relative accounts as they would appear on the Factory Ledger with summary of Stores Ledger at closing.

Purchases including opening inventory:

Parts Purchased	$ 65,000.00
Parts Manufactured (material)	225,000.00
Productive Labor	281,250.00
Factory Expense	451,200.00

Cost of Finished Cars:

Parts Purchased	55,000.00
Parts Manufactured (material)	75,000.00
Productive Labor	188,500.00
Factory Overhead Expense	226,200.00

Material on hand (In Process) $200,000.00.

5. (30 Credits)

A contractor proposes to build a bridge to Belle Isle and accept the city's 4% 20-year bonds to the amount of $2,000,000 in payment. He advocates as a means of retiring the bonds the establishment of a toll system on foot passengers and automobiles at the respective rates of 1 and 5 cents each. Assuming the ratio of foot passengers to automobiles to be ten to one, how many of each would be necessary to pay the interest annualy and create a fund which placed at the same rate of interest would be sufficient to retire the bonds at maturity?

NOTE: $1 compounded at 4% for 20 years = $2.19112314.

ECONOMICS AND PUBLIC FINANCE

ECONOMICS AND PUBLIC FINANCE

Saturday, November 17, 1917, from 9:00 A. M. to 12:00 M.

1. Explain the different methods by which governments secure the revenue needed for carrying on business—local, state, and national.
2. Indicate the points that should be studied in preparing any profit sharing scheme.
3. Name the different kinds of organizations handling trust funds, with the restrictions that are or should be placed upon them, indicating the services which they render to the community.
4. Define credit, wealth, money, legal tender, circulation (bank use).
5. What economic arguments may be raised for or against the transaction of business by corporations?

ECONOMICS AND PUBLIC FINANCE

Tuesday, June 10, 1919, from 11:00 A. M. to 12:00 M.

1. Explain the present tax laws of the United States Government and indicate which of the taxes can be shifted.
2. What effect does the invention of machinery have on the rate of interest?

ECONOMICS AND PUBLIC FINANCE

Tuesday, June 10, 1919, from 4:00 P. M. to 5:00 P. M.

1. Present the arguments for a national budget.
2. In view of the present tax laws is it of advantage or not to the individual stock-holder if corporations are under or over capitalized?

SYNOPSIS OF C. P. A. LAWS

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A careful study of the various state laws shows that the average certified public accountant in the several states where laws have been passed is a citizen of the United States, twenty-one years of age, who has had the equivalent of a high-school education, has practiced as a public accountant for at least two years, has satisfied a state board as to his character and ability, and has received from the proper authorities a certificate permitting him to practice as a certified public accountant.

The following synopsis presents at a glance the conditions surrounding the certified public accountant in the several states where laws have been enacted, the states being arranged in the order in which the laws were secured. If the requirement is fixed by statute, that fact is shown by (S). If it is a rule of the administrative board, it is shown by (R). Comparisons are made along four distinct lines: (1) preliminary education; (2) professional training; (3) licensing test; (4) reciprocity.

Most of the laws provide for a State Board of Accountancy of three or five members, appointed by the Governor or the governing board of the State University. Most of the laws provide that one member shall be a practicing attorney in good standing in any of the courts of the state. Iowa and South Dakota require holders of certificates to furnish bonds. All states require citizenship or declaration of intention except Florida, Maine, Michigan, North Dakota and South Carolina. The South Dakota law provides for a board consisting of the public examiner, the executive accountant and the insurance examiner. The Oklahoma law provides for a board of the state examiner and inspector, the attorney general and one accountant. Massachusetts and New Hampshire place the work in the hands of the bank commissioners. Verment specifies that its members shall be the state auditor of accounts, the bank commissioner, and a third person. In North Dakota, the membership is composed of an educator, an attorney and an accountant. Idaho vests the power in the department of law enforcement. The Indiana law makes the board to consist of the state examiner and two deputy examiners of the state board of inspection and supervision of public officers. In most of the states it is provided that a majority of the State Board of Accountancy shall be practicing public accountants and after the first selection shall be chosen from the holders of C. P. A. certificates.

It will be noticed that only two states are lacking C. P. A. laws: Mississippi, and New Mexico.

NEW YORK, 1896. (1) (R) Regents academic diploma required or the qualifying certificate; (2) (R) five years' satisfactory experience in accounting at least two of which must be in the employ of a certified public accountant; (3) (R) examination on four subjects, covering 15 hours; (4) (S) permitted at the discretion of the Regents of the University if applicant has had three years' experience as public accountant in another state having an equal standard.

PENNSYLVANIA, 1899. (1) (R) Recognized high school education required or its equivalent; (2) (R) statement from practicing C. P. A. that applicant has had two years' accounting work and study in his office, or three years' experience as an independent public accountant; (3) (S) examination on two subjects, (R) covering 32 hours; preliminary examination follows two years' registration, final examination follows third year; (4) (S) permitted to accountants with five years' experience.

MARYLAND, 1900. (1) (S) High school education or its equivalent; (2) (S) graduate from school of accountancy with two year course or one year in employ of C. P. A. or two years' independent practice as public accountant; (3) (S) examination on five subjects, (R) covering 15 hours; (4) (S) certificate of registration permitted and for chartered accountant as well.

CALIFORNIA, 1901. (1) (R) Graduate accredited high school or equivalent; (2) (R) three years' accounting experience, two of which were in office of C. P. A.; (3) (S) examination on four subjects, (R) covering 18 hours, (S) annual renewal of certificate required; (4) (S) permitted and for chartered accountant as well.

WASHINGTON, 1903. (1) (R) High school education or its equivalent; (2) (S) none; (3) (S) examination on four subjects, (R) covering 18 hours, (S) annual renewal of certificate required; (4) (S) no provision.

ILLINOIS, 1903. (1) (S) Four-year high school course or its equivalent; (2) (S) none; (3) (S) examination on four subjects, (R) covering 15 hours; (4) (S) permitted to accountants with five years' experience in another state prior to May 15, 1903, provided they had passed an examination equivalent to that given in Illinois.

NEW JERSEY, 1904. (1) (R) High school or equivalent education required; (2) (R) two years' service in the office of a practicing public accountant or on his own account; (3) (R) examination on four subjects, covering 24 hours; (4) (S) permitted.

MICHIGAN, 1905. (1) (S) A high school course or its equivalent required; (2) (S) two years' continuous practical experience in public accounting; (3) (R) examination on five subjects, covering 20 hours; (4) (S) certificate of registration permitted (R) to those persons who received their certificates in other states as result of examination, and (S) certificate of authority permitted for those from other states or foreign countries.

FLORIDA, 1905. (1) (S) Four-year high school course or its equivalent; (2) (R) one year in the office of a practicing public accountant or one year's approved practical experience; (3) (S) examination on four subjects, (R) covering 20 hours; (4) (S) certificate of registration permitted.

RHODE ISLAND, 1906. (1) (S) None; (2) (R) one year's practical experience; (3) (S) examination on four subjects and such others as the Board may determine, (R) covering 12 hours; (4) (S) certificate of registration permitted and for chartered accountant as well.

UTAH, 1907. (1) (R) High school education; (2) (R) one year's practical experience; (3) (S) examination on four subjects, (R) covering 8 to 16 hours, (S) annual renewal of certificate required; (4) no provision.

COLORADO, 1907. (1) (S) Graduation from a high school or an equivalent education; (2) (S) three years' experience in the practice of accounting, (R) last year must be in Colorado; (3) (S) examination on three subjects and such other subjects as the Board may deem advisable, (R) two subjects added, examination averages 15 hours; (4) (S) permitted and for chartered accountant as well.

CONNECTICUT, 1907. (1) (S) Four-year high school course or its equivalent; (2) (S) two years' practical experience in bookkeeping with such training in public accounting as the Board may require, (R) two years in office of practicing accountant, one year of which may be on his own account; (3) (S) examination on four subjects and such other related subjects as the Board shall deem necessary, (R) covering 21 hours; (4) (S) permitted to persons with five years' experience as a public accountant, one year of which was in Connecticut.

OHIO, 1908. (1) (S) Graduation from a high school or an equivalent education; (2) (S) three years' experience in accounting; (3) (S) examination on four subjects, (R) covering two days; (4) (S) permitted and for chartered accountant as well.

LOUISIANA, 1908. (1) (R) Completion of a high school course of study or its equivalent; (2) (R) one year's satisfactory practical experience or one year in the office of a practicing public accountant; (3) (S) examination on four subjects and such other branches of knowledge as the Board may deem necessary, (R) covering 14 hours; (4) (S) certificate of registration permitted.

GEORGIA, 1908. (1) (S) None; (2) (S) none; (3) (S) examination on five subjects, (R) covering two days; (4) no provision.

MONTANA, 1909. (1) (S) Graduation from an accredited high school or equivalent education; (2) (S) three years' practical experience in accounting; (3) (S) written examination on four subjects and such other subjects as may be designated, and an oral examination, (R) covering 17 hours; (4) (S) permitted and for chartered accountant as well.

NEBRASKA, 1909. (1) (R) Graduation from four-year high school or the equivalent; (2) (R) three years in the office of a practicing public accountant or in practice as a public accountant; (3) (S) examination on subjects and questions furnished by the National Association of Certified Public Accountants, which organization is not now in existence; (4) no provision.

MINNESOTA, 1909. (1) (R) High school course or its equivalent; (2) (S) three years' experience in accounting, (R) the last year of which must be in the state; (3) (S) examination on three subjects and such others as the Board may deem advisable, (R) covering two days; (4) (S) permitted.

MASSACHUSETTS, 1909. (1) (R) Equal to a high school education or pass an examination; (2) (R) two years' practical experience; (3) (R) examination on four subjects, covering 21 hours (S) annual renewal of certificate required; (4) no provision.

MISSOURI, 1909. (1) (S) Graduation from a four-year high school or the equivalent, or pass an examination; (2) (S) three years' experience in public accounting, (R) two of which must be in the office of a Certified Public Accountant; (3) (S) examination on four subjects, (R) covering 15½ hours; (4) (S) certificate of registration permitted.

VIRGINIA, 1910. (1) (S) Equivalent of a high school of recognized standing or pass an examination; (2) (S) one year's practice as public accountant or two years' assistant in the office of a public accountant or three years' employment as bookkeeper; (3) (S) examination on four subjects, (R) covering two days; (4) (S) permitted and for chartered accountant as well.

WEST VIRGINIA, 1911. (1) (R) High school graduation or its equivalent; (2) (R) one year's practical experience; (3) (S) examination on six subjects; (4) no provision.

WYOMING, 1911. (1) (S) Graduation from a high school or its equivalent; (2) (S) three years' experience in the practice of accounting; (3) (S) examination on three subjects and such other subjects as the Board may deem advisable, (R) covering about two days; (4) (S) permitted and for chartered accountant as well.

VERMONT, 1912. (1) (S) Graduation from a high school or its equivalent; (2) (S) none; (3) (S) examination on four subjects; (4) (S) permitted to persons with certificate from other states who have practiced five years.

OREGON, 1913. (1) (S) Discretion of the Board; (2) (S) discretion of the Board; (3) (S) examination on four subjects, annual renewal of certificate required; (4) (S) permitted.

NORTH CAROLINA, 1913. (1) (S) Graduation from a high school or equivalent education; (2) (S) three years' experience in practical accounting; (3) (S) examination on four subjects and other subjects in the discretion of the Board; (4) (S) permitted and for chartered accountant as well.

NORTH DAKOTA, 1913. (1) (S) Prescribed by the State University; (2) (S) prescribed by the State University; (3) (S) examination on five subjects and such others as University of North Dakota may designate, oral examination may be required; (4) no provision.

NEVADA, 1913. (1) (S) None; (2) (S) none; (3) (S) examination on four subjects, annual renewal of certificate required; (4) (S) permitted and for chartered accountant as well.

TENNESSEE, 1913. (1) (S) Equivalent of graduation from first-grade high school of the state; (2) (S) one year's practice as a public accountant or continuous employment as assistant for two years in the office of a public accountant, or as chief bookkeeper for three years; (3) (S) examination on four subjects; (4) (S) permitted and for chartered accountant as well.

DELAWARE, 1913. (1) (S) Discretion of the Board; (2) (S) three years' experience as assistant in the office of a public accountant or on own account; (3) (S) examination on four subjects as the Board may deem advisable—general preliminary examination required three years prior to regular; (4) (S) permitted and for chartered accountant as well.

MAINE, 1913. (1) (S) None; (2) (R) two years' practical accounting experience; (3) (S) examination on three subjects and such others as it deems necessary; (4) permitted and for chartered accountant as well.

WISCONSIN, 1913. (1) (R) High school graduate or equivalent eduaction; (2) (R) two years' experience as public accountant; (3) (S) examination on four subjects and other subjects deemed necessary by the Board; (4) (S) permitted and for chartered accountant as well.

SOUTH CAROLINA, 1915. (1) (S) None; (2) (S) discretion of Board, (R) practiced public accounting in state for three years or been employed for three years in public accounting or as chief or head bookkeeper in business employing three accountants; (3) (S) examination on six subjects, annual renewel of certificate required; (4) no provision.

INDIANA, 1915. (1) (S) Graduate of a high school or having received an equivalent education; (2) (S) three years' experience in the practice of accounting; (3) (S) examination on four subjects; (4) (S) permitted and for chartered accountant as well.

ARKANSAS, 1915. (1) (S) Graduate of four-year high school, or have an equivalent education or pass an examination; (2) (S) three years' practical accounting experience; (3) (S) examination on four subjects; (4) (S) certificate of registration permitted.

KANSAS, 1915. (1) (R) Graduate from four-year high school or equivalent; (2) (R) three years' experience, with one in office of public accountant; (3) (S) discretion of Board, but qualifications are to conform so far as practicable to the standard approved by the American Association of Public Accountants; (4) (S) permitted and for chartered accountant as well.

TEXAS, 1915. (1) (R) Equivalent of high school education; (2) (S) one year's study and practice in accountancy; (3) (S) examination on four subjects, annual renewal fee required; (4) (S) permitted and for chartered accountant as well.

IOWA, 1915. (1) (S) Graduate of four-year high school or have an equivalent education or pass a preliminary examination; (2) (S) three years' practical accounting experience; (3) (S) examination on four subjects; (4) (S) certificate of registration permitted.

KENTUCKY, 1916. (1) (S) Graduate of high school with four-year course or possessed of an equivalent education; (2) (S) three years' experience in accounting, one of which has been in office of practicing accountant or individual practice as public accountant; (3) (S) written examination in four subjects; (4) (S) permitted and for chartered accountant as well.

SOUTH DAKOTA, 1917. (1) (S) Graduate of high school with four-year course, or possess an equivalent education or pass an examination; (2) (S) three years' practical accounting experience; (3) (S) examination on four subjects; (4) (S) certificate of registration permitted and for chartered accountant as well.

IDAHO, 1917. (1) (S) High school education or its equivalent; (2) (S) three years of practical experience in accounting, last one in Idaho; (3) (S) examination on four subjects, annual renewal of certificate required; (4) (S) permitted.

OKLAHOMA, 1917. (1) (S) High school graduate or having an equivalent education; (2) (S) no provision; (3) (S) examination on six subjects; (4) (S) permitted to holder of C. P. A. certificate for three years.

NEW HAMPSHIRE, 1917. (1) (S) Education equivalent to public high school; (2) (S) four years' accounting experience or instruction; (3) (S) examination in four subjects; (4) (S) permitted to holder of C. P. A. certificate for three years.

ALABAMA, 1919. (1) (R) Must have completed a high school course or its equivalent; (2) (R) one year's experience in the office of a practicing public accountant or three years' practical experience; (3) (S) examination in four subjects; (4) (S) certificate of registration permitted.

ARIZONA, 1919. (1) (S) Graduate of high school with four year course or an equivalent education; (2) (S) three years' accounting experience; (3) (S) examination in four subjects; (4) (S) certificate of registration permitted.

MICHIGAN ASSOCIATION
OF
CERTIFIED PUBLIC
ACCOUNTANTS

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Constitution

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CONSTITUTION

ARTICLE I

NAME

SECTION 1. The name of this Association shall be "The Michigan Association of Certified Public Accountants."

ARTICLE II

OBJECTS

SECTION 1. The objects of this Association are:

(a) To unite in one society all accountants practicing in the State of Michigan who are holders of Michigan Certified Public Accountant certificates or of Certified Public Accountant certificates of any other State in the United States, of equal standing with that given by the State of Michigan, and all other accountants who hold degrees given in foreign countries, the standard of which shall be equal to that given by the State of Michigan.

(b) To urge and assist in the enforcement of the state law providing for the granting of Certified Public Accountant certificates in the State of Michigan.

(c) To encourage the proper training of persons who desire to become Certified Public Accountants.

(d) To promote the study of law appertaining to accounts.

(e) To secure the proper recognition of the practice of accountancy as a profession.

(f) To maintain among the members of the profession a high standard of professional ethics.

ARTICLE III

MEMBERS, CLASSES, QUALIFICATIONS, AND ELECTIONS

SECTION 1. The membership of this Association shall consist of two classes, Fellows and Honorary.

SECTION 2. Fellows shall be those elected to membership from the following:

(a) Accountants, residents of the State of Michigan, who have obtained and hold a Certified Public Accountant certificate duly issued to them by the State of Michigan.

(b) Accountants, residents of the State of Michigan, holding a Certified Public Accountant certificate from any other state in the United States, which has been recognized by the State Board of Accountancy of equal standing with the Certified Public Accountant certificate of the State of Michigan.

(c) Accountants, residents of the State of Michigan, holding degrees given in foreign countries, which have been recognized by the State Board of Accountancy, the standard of which shall be equal to the Certified Public Accountant certificate given by the State of Michigan.

SECTION 3. The Association, by unanimous vote of the members present at any regular meeting, on nomination made at a previous meeting may confer honorary membership on those Attorneys who may be appointed by the Governor of Michigan to serve on the Board of Accountancy, or on any other persons who by their standing in this state or by their active interest in the promotion of the objects of the profession may be considered as entitled to receive such honor.

SECTION 4. (a) Application for membership must be made on blanks furnished by the Association and must be endorsed by two Fellows.

(b) Application must be accompanied by the admission fee as hereinafter provided which will be returned in case the applicant fails to properly qualify under the Constitution and By-Laws.

(c) The Secretary shall mail to each member the names of applicants, their addresses and the names of the endorsers.

(d) If any member shall make a written objection to the election of any applicant the secretary shall immediately notify the membership committee and they shall investigate and report their findings at the next meeting.

(e) Election to membership shall be by ballot and shall not take place unless thirty days have elapsed since the notices of application were mailed. A two-thirds affirmative vote of members present shall be necessary to elect.

ARTICLE IV

CERTIFICATE OF MEMBERSHIP

SECTION 1. Upon admission to membership as a Fellow of this Association, every member shall be entitled to a certificate of membership therein and the members so receiving such certificates shall agree in writing prior to receipt of such certificates, to the surrender of same to the Association in the event of their withdrawal therefrom or their membership otherwise ceasing.

ARTICLE V

DIRECTORS, OFFICERS, AND COMMITTEES

SECTION 1. The Board of Directors shall be composed of five members who shall be members of the Association, and who shall be holders of Certified Public Accountant certificates granted by the State of Michigan.

SECTION 2. The officers shall be as follows:

A President, a Vice-President, a Secretary and a Treasurer, all of whom shall be Fellows and who shall be members of the Board of Directors, and an Auditor who shall also be a Fellow and who shall not be a member of the Board of Directors.

SECTION 3. There shall be five standing committees:

Committee of Membership; Committee on Education and Publicity; Committee on Entertainment; Committee on Legislation, and Committee on Ethics. These Committees, with the exception of the Committees on Ethics and Membership, shall be appointed by the Board of Directors at its first meeting after the annual election. The Board of Directors shall constitute the Committees on Membership and Ethics except as may be provided in the By-Laws.

SECTION 4. Each committee with the exception of the Committees on Membership and Ethics will consist of three Fellows of this Association. A majority of each committee will constitute a quorum.

ARTICLE VI

ELECTION OF DIRECTORS AND OFFICERS

SECTION 1. The Directors and the Auditor shall be elected at the annual meeting. They shall hold office for a term of one year and until their successors are chosen. In case of a vacancy in the Board same shall be filled by election at the next regular meeting. All elections shall be conducted as hereinafter provided in the By-Laws of this Association.

SECTION 2. The President, Vice-President, Secretary and Treasurer shall be elected by the Board of Directors from their own number and shall hold office until the next annual meeting and until their successors are elected.

ARTICLE VII

SEAL

SECTION 1. The Corporate Seal of the Association shall be circular in form, having within the rim the inscription, "The Michigan Association of Certified Public Accountants," and displayed in the center the words, "Incorporated 1901—Amended 1905."

ARTICLE VIII

AMENDMENTS

SECTION 1. Amendments to the Constitution and By-Laws shall be made only at a regular meeting and by a majority vote of all members of the Association. A copy of the proposition to alter, amend, or add shall be embodied in the call for the next regular meeting at which such amendment is to be acted upon.

By-Laws

Duties of Directors, Officers, and Committees I
Meetings, Quorum, etc. II
Order of Business III
Elections IV
Initiation Fees and Dues V
Expulsion from Membership VI
Rules of Order—Roberts VII

BY-LAWS

ARTICLE I

DUTIES OF DIRECTORS, OFFICERS, AND COMMITTEES

SECTION 1. It shall be the duty of the Board of Directors to conduct the affairs of the Association. They shall have charge of all property of the society, and shall authorize all expenditures. The Board shall keep a record of its proceedings and make an annual written report to the Association. Meetings of the Board shall be held at the call of the President or Secretary and three shall constitute a quorum.

SECTION 2. The Board of Directors shall elect from their number a President, a Vice-President, a Secretary and a Treasurer, who shall hold office until the next annual meeting and until their successors are elected.

SECTION 3. It shall be the duty of the President to preside at all meetings and to enforce all laws and regulations relating to the administration of the Association. He shall call special meetings on the written request of five Fellows of the Association.

SECTION 4. In the absence of the President, the Vice-President shall perform such duties as devolve upon the President.

SECTION 5. In the event of the absence of the President and Vice-President from any meeting of the Association, or Board of Directors, one of the members present shall preside.

SECTION 6. The Secretary shall keep complete records of all meetings of the Association and of the Board of Directors, and shall have custody of the corporate seal. He shall give at least twenty-four hours notice by mail of all meetings of the Board of Directors, and five days notice by mail of all meetings of the Association. When applications for membership are received, he shall mail to each member the names of applicants, their addresses, and the names of the endorsers. He shall conduct such other correspondence as may be necessary, keep a complete record of members and addresses, a register of certificates, and attend to all other duties usually pertaining to the office.

SECTION 7. The Treasurer shall receive all moneys payable to the Association and disburse the same only on vouchers approved by the President, after the bills have been allowed by the Board of Directors. He shall render reports to the Association at each regular meeting.

SECTION 8. The Auditor shall make an audit of the books of account and of all vouchers for the year. Such books, vouchers and other documents shall be submitted to the Auditor at least six days before the annual meeting, and the Auditor shall file a written report with the Board of Directors before the date of such meeting.

SECTION 9. The Committee on Membership shall inquire into the eligibility of each applicant proposed for membership, and shall report on same at the next meeting.

SECTION 10. The Committee on Legislation shall keep the Association informed on all proposed legislation affecting accountancy.

SECTION 11. The Committee on Education and Publicity shall encourage and promote the cause of accountancy education by whatever means may be available and secure proper publicity to further generally the interests of public accountancy.

SECTION 12. The Committee on Entertainment shall arrange for the literary and entertainment part of all meetings.

SECTION 13. The Committee on Ethics shall investigate any complaint made against any member or members alleging a breach of the ethics of the profession, and shall report on their findings at the next regular meeting of the Association, provided that should any complaint be lodged against a member or members of this Committee, such members shall not serve on the Committee on Ethics while such complaint is being investigated, but the remaining members of the Committee shall appoint another member or members of this Association to serve temporarily on this Committee until such complaint has been investigated and report made.

ARTICLE II

MEETINGS

SECTION 1. Regular meetings of the Association shall be held in each month in the year except July and August, on a day set by the Board of Directors. Notices of each meeting shall be sent to each member not less than five days prior to the meeting.

SECTION 2. Special meetings may be called by the President, or Secretary, at any time, and shall be called on the written request of five Fellows. No business other than that for which such meetings were called shall be transacted. Notices to each member shall be sent out at least five days prior to the meeting.

SECTION 3. The annual meeting of the Association shall take place on the third Tuesday of September in each year. Notice shall be sent to each member not less than five days prior to the meeting.

SECTION 4. A meeting of the Board of Directors may be called by the President or Secretary at any time. Two regular meetings shall be held, one in September, immediately following the annual meeting for the purpose of electing officers, and another immediately preceding or following the regular meeting in March each year.

SECTION 5. All committees shall be subject to call of their respective chairmen, and shall meet to perform the duties for which they were appointed or act upon such matters as may be referred to them.

SECTION 6. At any meeting of the Association a majority of the Fellows resident in the State of Michigan shall constitute a quorum to transact any business properly presented.

SECTION 7. Three directors shall constitute a quorum of the Board of Directors, and a majority of any committee shall constitute a quorum of such committee.

ARTICLE III

ORDER OF BUSINESS

SECTION 1. The order of business at all regular meetings shall be as follows:

1. Roll Call
2. Reading of Minutes
3. Board of Directors' Report
4. Treasurer's Report
5. Standing Committees' Reports
6. Election of Members
7. Special Committees' Reports
8. Unfinished Business
9. Communications
10. New Business
11. Program

SECTION 2. The order of business at the annual meeting shall be in addition to that in Section 1 as follows:

12. Reading of Annual Reports
13. Election of Board of Directors
14. Election of Auditor

ARTICLE IV

ELECTIONS

SECTION 1. Elections shall be held at the annual meeting of the Association, for the following:

Five Directors

One Auditor

SECTION 2. Elections shall be by ballot. Two tellers shall be appointed to receive and canvas the ballots as cast, and announce the result to the presiding officer, who thereupon shall declare the Fellows receiving the majority of the votes cast elected to the respective offices.

SECTION 3. In case of no choice for any office or offices on the first ballot, succeeding ballots shall at once take place until a choice is made for such office or offices.

SECTION 4. Any member who is three months in arrears for any dues, assessments or other sums owed by him to the Association, shall not be entitled to vote, or be eligible for any office or committee assignment.

SECTION 5. Any Fellow unable to be present at any meeting may vote upon any election or question which is submitted at that meeting by mailing his proxy to the Secretary, or to any other member of the Association.

SECTION 6. Honorary Members shall not be entitled to vote or be eligible for any office or committee assignment.

ARTICLE V

INITIATION FEES AND DUES

SECTION 1. There shall be an initiation fee of ten dollars collected from each Fellow when application for membership is made.

SECTION 2. The annual dues to be collected shall be ten dollars from each Fellow.

SECTION 3. Dues shall be payable annually in advance on October 1st of each year, or at the date of a member's election to membership. Until such payment of dues at election to membership, no certificate shall be issued, and such dues shall be apportioned to September 30th at the rate per meeting month of $1.00.

SECTION 4. The Association may by a majority vote of all Fellaws levy membership assessments of not to exceed in any one year the amount of the yearly dues.

SECTION 5. No Fellow shall be permitted to vote at any meeting of the Association who is three months in arrears for dues, assessments or other sums owed by him to the society.

ARTICLE VI

EXPULSION FROM MEMBERSHIP

SECTION 1. (a) If any member of the Association shall be declared by a court of competent jurisdiction to have committed any fraud, or shall be convicted of felony or misdemeanor, or

(b) If any member is held by the Board of Directors on the written complaint of any person to have been guilty of any act or default discreditable to the profession, or

(c) If any member shall fail to pay any dues, assessments or other sums owed by him to the Association within three months after such debt has become due,

he renders himself liable to be expelled from membership by a resolution of the Board of Directors presented to the Association at any regular or special meeting.

SECTION 2. Due notice shall be mailed to the accused member by the Secretary at least five days prior to the meeting.

SECTION 3. A two-thirds vote of the members present shall be necessary to a decision.

SECTION 4. Upon the expulsion of any member for whatever cause, the Secretary shall for the Board of Directors, demand the return of the certificate of membership as provided by Article IV of the Constitution.

ARTICLE VII

RULES OF ORDER

SECTION 1. The rules of parlimentary procedure as laid down in "Robert's Rules of Order" shall govern at all meetings of the Association.

MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

JANUARY 1, 1920

FELLOWS

Ashman, Evan T. ..... Detroit, Mich.
Atkinson, George N. ..... Detroit, Mich.
Bennett, Robert J. ..... Philadelphia, Pa.
Beck, Howard C. ..... Baltimore, Md.
Blanchard, Glynn F. ..... Grand Rapids, Mich.
Bonthron, William D. ..... Detroit, Mich.
Boothe J. Lee ..... Detroit, Mich.
Bullock, Cyril N. ..... Detroit, Mich.
Burnell, Lorenzo D. ..... Detroit, Mich.
Dadson, Eldon E. ..... Detroit, Mich.
Butler, William ..... Detroit, Mich.
Evans, Thomas H. ..... Detroit, Mich.
Faddis, Thomas M. ..... Detroit, Mich.

Fick, H. William.....Grand Rapids, Mich.
Foy, Arphaxed.....Detroit, Mich.
Gibbs, George R.....Detroit, Mich.
Hawkins, Norval A.....Detroit, Mich.
Hollis, Ralph T.....Detroit, Mich.
Jerome, John J.....Lansing, Mich.
Kerr, Percy A.....Detroit, Mich.
Leslie, William.....Detroit, Mich.
LaBonte, Frank G.....Detroit, Mich.
McDonald, John A.....Detroit, Mich.
Miller, Ralph C.....Detroit, Mich.
Morton, Fred W.....Detroit, Mich.
Neff, C. Earle.....Detroit, Mich.
Palmer, Leslie E.....New York, N. Y.
Porte, T. L. Whitford.....Detroit, Mich.
Ross, William F. G.....Detroit, Mich.
Rowland, William C.....Detroit, Mich.
Ruple, Harry.....Saginaw, Mich.
Shaefer, Francis M.....Lansing, Mich.
Shultus, Walter H.....Grand Rapids, Mich.
Smith, David.....Detroit, Mich.
Springer, Durand W.....Ann Arbor, Mich.
Stevenson, Richard A.....Detroit, Mich.
Steffens, Henry, Jr.....Detroit, Mich.
Sunley, William T., Jr.....Detroit, Mich.
Staub, E. Elmer.....Detroit, Mich.
Thayer, Arthur F.....Detroit, Mich.
Thompson, Melville W.....New York, N. Y.
Tilton, Frederic A.....Detroit, Mich.
Tringham, William.....Detroit, Mich.
Turner, Robert L.....Detroit, Mich.
Whitlock, Christopher C.....Detroit, Mich.
Wixson, Fred.....Detroit, Mich.
Wolfe, Richard H.....Detroit, Mich.

HONORARY

Bland, J. Edward.....Detroit, Mich.
Broomfield, Archibald.....Detroit, Mich.
Byrns, Charles J.....Ishpeming, Mich.
Denby, Edwin.....Detroit, Mich.
Ferris, Woodbridge N.....Big Rapids, Mich.
Hart, Ray.....Midland, Mich.
Peek, Archibald J.....Jackson, Mich.
Sleeper, Albert E.....Bad Axe, Mich.
Warner, Fred M.....Farmington, Mich.
Woods, Nicholas W.....Detroit, Mich.
Zimmerman, Henry M.....Pontiac, Mich.

THE MICHIGAN CERTIFIED PUBLIC ACCOUNTANTS IN WAR ACTIVITIES

All the Michigan certified public accountants were active supporters of the government in some of the many ways which were presented to citizens generally. Many of the men rendered army service proper. Others took on specific civilian tasks which were officially recognized by the government. Some were connected with organizations doing army contract work for the government. The remainder were active members of one or more of the various committees which war conditions made necessary.

The following is a statement of the specific lines in which the members of the first two groups were engaged:

Beck, Howard C.—Prepared monograph "A Statement of Accounts for Retail Coal Dealers" for the United States Fuel Administration.

Bennett, Robert J.—Chief Accountant, Division of Auditing for Pennsylvania, United States Food Administration; Auditor, Southeastern Pennsylvania Chapter American Red Cross; Auditor, Army and Navy Department Brotherhood of St. Andrew, Episcopal Church; Special Investigator for Federal Trade Commission and United States Fuel Administration.

Bonthron, William D.—Chairman Auditing Committee, Executive Liberty Loans Committee for Detroit and Wayne County.

Burnell, Lorenzo D.—(Lieutenant) Cost Accounting Section, Ordnance Department, Washington; (Captain) Disbursing Officer, Ordnance Department, American Expeditionary Forces.

Butler, Ernest B.—Production Expert, Signal Corps, United States Army; Cost Inspector, Bureau of Supplies and Accounts, Navy Department.

Butler, William—(Major) Infantry, Canadian Expeditionary Forces with service in Canada, England, Belgium and France, July 1915 to June 1917; District Manager of Finance, Finance Division, Bureau of Aircraft Production, United States Army, after July 1917.

Dowd, Martin—Treasurer, War Camp Funds, Knights of Columbus, Grand Rapids; Cost Accountant, Ordnance Department; District Examiner, Ordnance Claims Board.

Evans, Thomas H.—Internal Revenue Agent.

Goodrich, George C.—Quartermasters Corps, United States Army, Camp Custer; (Sergeant) Finance Division, Headquarters Detachment, 14th Division, United States Army.

Gridley, William D.—Member Michigan State Troops during period of war.

Hawkins, Norval A.—Asistant Chief, Detroit District, Motors Branch, Director of Purchase, Storage and Traffic.

Hosmer, Ansel F.—Cost Accountant, Ordnance Department, General Administration Bureau.

LaBonte, Frank G.—(Captain) Headquarters Troop, 14th Division, United States Army.

Mortlock, George C.—Auditor, Milling Division, United States Food Administration; prepared monographs "Suggested Accounting System for Wheat Flour Millers" and "Organization of the Auditing Department of the United States Food Department."

Neff, C. Earle—Accountant, Cost Accounting Section, Finance Branch, Ordnance Department.

Rowland, William C.—(Infantry Sergeant) Camp Personnel Office, Camp Custer; prepared monograph "Outline of Mustering Procedure" used as text at Training School for Personnel Officers; transferred to Promotion and Assignment Section, Commissioned Personnel Branch, Operations Division, General Staff, Washington; prepared office system for handling statistics in that Section.

Ruple, Harry—Investigator, United States Grain Corporation.

Seidman, Frank E.—Supervising Accountant, Signal Corps, United States Army; Overhead Supervisor, Bureau of Aircraft Production.

Shaefer, Francis M.—(First Class Sergeant) Cost Accountant, Bureau of Aircraft Production, United States Army.

Smith, Charles A.—Secretary and Assistant to the Director, Bureau of Trusts, Alien Property Custodian, Washington; Special Accountant, Authorizations and Appropriations, Auditing Division, Emergency Fleet Corporation.

Smith, David—Auditor, Post Exchange, United States Hospital.

Springer, Durand W.—Educational Director, Army Y. M. C. A., Camp Custer; Educational Director, Army Y. M. C. A., Central War Department; Special Agent, Commercial Education, Division of Rehabilitation, Federal Board for Vocational Education, Washington.

Stewart, Charles W.—Chief Auditor, Division of Enforcement, United States Food Administration.

Stradley, Edward M.—Internal Revenue Agent.

Sunley, William T. Jr.—Auditor, Detroit Chapter, American Red Cross.

Suter, Fred A.—Drill Master 69th Regiment Armory, New York.

Thompson, Melville W.—(Lieutenant Colonel) United States Army; Commanding Officer, Finance Division, Finance Department of Equipment Division; transferrerd to Administration Division; Member, President and Governor, War Credits Board.

Turner, Robert L.—Accountant, Cost Accounting Section, Ordnance Department.

Whitlock, Charles C.—(Second Lieutenant) 160th Depot Brigade, Camp Custer; (First Lieutenant) 10th Infantry, United States Army.

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